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Bullying tactics

Evergrande's latest capital markets outing is a stark example of the kind of bullying tactics investors often have to put up with in Asia.

The Chinese property developer launched its latest assault on the capital markets on Tuesday, asking convertible bond investors to lend it US\$3bn with no maturity date and a conversion premium of up to 60%.

Those terms are aggressive by any measure, even ignoring the fact that the stock is up over 400% in the past 12 months. But this approach to fundraising is straight out of Evergrande's playbook.

Straight debt investors know Evergrande well, and will remember the oversized high-yield bonds the company sold

The climbdown during bookbuilding showed that even the mighty Evergrande needs to show the markets some respect

last June, raising more than US\$8bn through a combination of exchange offers and new issues. The company got its money, but the deal tumbled as much as five points in secondary trading after the company stunned the market with a far larger financing than investors had expected.

Evergrande is used to having things its own way in the capital markets, even fighting off a challenge from short sellers in 2012. Its stock and bonds have been on a tear over the past year, despite lingering concerns over its aggressive financing structure and low junk credit rating.

This time around, however, CB investors rejected the terms almost immediately. The six bookrunners then had to rethink the structure, and relaunched the deal with revised terms a few hours later. Investors ended up with a far sweeter proposition, with a fixed maturity, lower premium, smaller size and a put option instead of a call.

The final HK\$18bn (US\$2.2bn) five-year convertible is still Asia's biggest equity-linked deal of the year so far. But the climbdown during bookbuilding showed that even the mighty Evergrande needs to show the markets some respect. For other wannabe heavyweights, the message is clear: bullying doesn't pay.

Paradise lost

Last week's hiccup in Asian dollar bond issuance was a reminder that the region is not immune to the effects of higher interest rates.

For two years, it has been an issuer's paradise, with Asia's cash-rich investor base willing to buy dollar paper at yields and spreads that frequently set new lows.

Even perpetual bonds and fixed-for-life notes found a receptive audience despite their drawbacks for investors in a rising rate environment.

Analysts have been warning for years of a coming great rotation, when inflation finally kicks into gear and rates rise to reflect the rosy levels of economic growth worldwide. In theory, that will be when equities take off and bond yields head higher.

Last week's pulled bond deal by Chinese developer Yango Group smacked more of over-ambitious pricing expectations than an overnight reversal of investor sentiment, but the subsequent pause of new issuance looked like Asian issuers were taking some time to reflect.

Primary activity resumed somewhat towards the end of the week, with Cinda's US\$2.5bn offering getting across the line with some help from bookrunners lining up pre-orders. A senior private banker willingly acknowledged that Asian credit is expensive, but immediately countered, in worldly-fashion, that excess liquidity has to find a home somewhere.

If only for that reason, the region's offshore bond market is not going to dwindle away, but henceforth equity-like returns may be reserved for equities.

That means bond issuers will need to accept new pricing expectations, even with the benefit of regional demand.

The party is not over for bond issuers, but the admission price may have gone up.

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Evergrande beats hasty retreat

■ **Structured Equity** Restructured convertible bond offering gives investors pause for thought

BY S ANURADHA, FIONA LAU

CHINA EVERGRANDE GROUP knocked the wind out of Asia's equity-linked capital markets with an opportunistic HK\$18bn (US\$2.3bn) convertible bond, which had to be hastily restructured to get over the line.

The convertible took total equity-linked issuance in Asia Pacific, excluding Japan and A-shares, to US\$6.78bn in January alone, almost matching the US\$6.88bn raised in the whole of 2017.

Evergrande's ambitions, however, were too rich for investors' tastes. After marketing a HK\$23bn perpetual CB with a call option for the issuer, it was forced to relaunch the issue at a smaller size, with

a lower conversion premium, a fixed maturity and a put option for investors.

The lacklustre response may

the market. So far this year, five of the eight international equity-linked deals have been from Chinese developers,

there were already signs of weakening in the sector before the Evergrande deal launched. Throwing out such a big deal with an unpopular structure at aggressive terms could crash the market," said an equity-linked banker.

Buoyant stock prices have encouraged many property companies to consider opportunistic trades, and the growing acceptance of short-dated structures has allowed them to seize the market window.

Under Chinese rules, bonds with maturities under one year do not need to be registered with the National Development and Reform Commission, the regulator for offshore bond issues.

"The combination of a complex structure, aggressive terms and a huge offer worked against the original deal. There was simply not enough demand for the perp. A perp needs more investor education and is not the best instrument when issuers want to execute opportunistic trades."

make investors think twice about buying the next deal from the sector, and bankers expect property issuers to take a breather before rushing to

taking advantage of rallying stock markets and strong risk appetite.

"With so much supply from property issues lately,

Noble reveals workout plan

■ **Restructuring** Struggling commodities trader outlines agreement with group of creditors

BY DANIEL STANTON

NOBLE GROUP revealed the terms of its proposed restructuring last Monday, confirming that creditors are in line for heavy losses on over US\$3bn of outstanding debt.

The embattled commodity trader said it had reached an in principle agreement with an ad hoc group of creditors to halve its senior debt and overhaul its corporate structure.

However, it made no mention of a rumoured strategic investment, and the ad hoc group's 30% holding was far short of the proportion of creditors that would be needed to pass the measures.

The announcement moves Noble a step closer to securing its future as a going concern,

albeit as a far smaller company, but sets the scene for more tense negotiations as it looks to convince other creditors to support the proposal and hefty

75% must vote in favour for the measures to pass.

Noble was due to pay a coupon on Monday on its 6.75% 2020 bonds, which

"Based on the proposed restructuring terms, we estimate that the bond recovery will be about 49 cents to a dollar if participation rate is 100% and about 56 cents to a dollar if participation rate is 80%."

haircut involved.

In the documentation for its 2022 bonds, Noble stated that any changes to the maturity or coupons of its bonds would require a vote of holders of at least 75% of its notes, of which

might explain why it made the announcement before waiting to build more support. A spokesperson for Noble declined to confirm whether it had made the coupon payment, but a research report from BNP

Paribas indicated it had.

Noble had missed coupon payments on perpetual bonds last year, but, under the terms of those notes, it did not constitute a default.

Under the terms of the proposal, Singapore-listed Noble would change its organisational structure, creating a vehicle, for now called Topco, which would be 70% owned by senior creditors, 20% by Noble's management and 10% by existing shareholders. Half of the management stake is dependent on Noble hitting certain Ebitda targets.

Topco will be the parent of a company holding Noble's assets and a separate trading entity that will become the group's main operating company. The trading entity will be held through an intermediate holdco.

The assets, Harbour Energy, Noble Plantations, Jamalco and nine ships, are targeted for sale.

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A day before the Evergrande deal, **FUTURE LAND DEVELOPMENT HOLDINGS** and **POWERLONG REAL ESTATE HOLDINGS** raised a combined HK\$4.34bn from CBs last Monday. Future Land was particularly aggressive, as the CBs came less than two weeks after a HK\$1.56bn share placement. Both CBs traded below water last Tuesday, despite strong demand. (See *China Equity capital markets*.)

Country Garden Holdings and Cifi Holdings Group raised HK\$15.6bn and HK\$2.79bn, respectively, from CBs earlier this month.

To the surprise of many, Evergrande began marketing a HK\$23bn perpetual CB last Tuesday on aggressive terms – a distribution rate of 3%–4% and a conversion premium of 50%–60%.

The deal immediately raised eyebrows. Perpetual maturities are rare in equity-

linked instruments, and investors tend to avoid a high conversion premium on a deal with no fixed repayment date. Perpetuals are also not eligible for CB indices, further discouraging outright investors.

On the other hand, the undated format is attractive for issuers as it gets accounting treatment as equity.

Around four hours after launch, Evergrande decided to restructure the deal as the original one failed to generate enough demand.

“The combination of a complex structure, aggressive terms and a huge offer worked against the original deal,” said a person with knowledge of the issue.

“There was simply not enough demand for the perp. A perp needs more investor education and is not the best instrument when issuers

want to execute opportunistic trades.”

SECOND ATTEMPT

Instead, Evergrande opted for a vanilla CB on its second attempt for a smaller deal of HK\$15.56bn. The five-year put-three CB came with a coupon and yield of 3.75%–4.25% and a conversion premium of 40%–45%.

The deal eventually raised HK\$18bn after pricing at the investor-friendly end of terms. The coupon was fixed at the top of the range, while the conversion premium was at the bottom of range.

Around 70 accounts participated. Global multi-strategy investors accounted for the bulk of demand, though European outright investors and private-banking clients also participated.

Asian PB clients, especially those with connections to the

Chinese property sector, were said to be behind a significant portion of demand.

Bankers away from the Evergrande deal reckon it remains to be seen whether the episode will shut the market, but say investors definitely want more diversification.

“If you ask me, CB investors are up to their necks in property names,” said one of the bankers.

Evergrande’s CB was trading below par at 99.80 last Wednesday.

Evergrande’s shares have risen 417.5% over the past 12 months. There is a 90-day lock-up on the issuer and shareholder Xin Xin (BVI).

The funds will be used for refinancing and for general corporate purposes.

Bank of America Merrill Lynch, Citigroup, Credit Suisse, Deutsche Bank, Haitong International Securities and UBS were the bookrunners. ■

CreditSights pointed out that a full-blown bankruptcy filing would result in trading counterparties filing large claims, giving bondholders an incentive to support the scheme, but warned that the management might continue to burn through cash if it was approved.

The analysts also questioned Noble’s ability to meet its disposal targets.

“Noble said these assets have a NAV at 3Q17 of US\$859m, but that is Noble’s carrying value of the assets, and, just to understate the obvious, Noble has a terrible history of accurately valuing assets on its balance sheet,” wrote CreditSights. In July, Noble recognised a US\$1.3bn non-cash impairment charge on its trading book.

PRINCIPAL LOSSES

Holders of Noble’s US\$400m perpetual capital securities

have been invited to exchange them for US\$15m in value, equivalent to around 4 cents on the dollar.

The remaining senior securities – US\$379m of senior notes due on March 20 2018, US\$1.177bn due in 2020 and US\$750m due in 2022, plus a revolving credit facility of US\$1.143bn – will be exchanged for a combination of new debt and equity.

This will include US\$700m in 3.5-year secured bonds issued by the Assetco and paying a 10% coupon in kind.

The new trading company will issue US\$685m of 4.5-year senior secured bonds, paying 8.75% for the first 18 months and 9.75% thereafter. For the first 12 months, half of the coupon will be paid in cash and half in kind, with the coupon to be paid in cash thereafter.

The trading entity holdco will issue US\$270m of

structurally subordinated senior seven-year bonds, secured over shares in the trading company and intercompany claims. It will carry a “pay if you can” coupon to be paid in cash or in kind. This will be set at 5% for the first 18 months and 9.75% thereafter.

The Assetco will also issue US\$200m of zero coupon unsecured preference shares, 90% of which will be issued to creditors and 10% to Topco.

In addition, Noble said it had agreed a US\$700m trade finance and hedging facility, committed for three years at what it said was competitive market terms. Noble’s senior creditors will be invited to join the facility on a pro-rata basis, and the ad hoc group of creditors has agreed to underwrite the remainder.

Under the proposal, the ad hoc group of bondholders will receive a “work fee” of 2%, and a 5% fee for underwriting

the trade finance facility. Bondholders would receive a higher recovery rate if they also provided trade financing under the facility, although the recovery rate would drop if participation was very high.

“Based on the proposed restructuring terms, we estimate that the bond recovery will be about 49 cents to a dollar if participation rate is 100% and about 56 cents to a dollar if participation rate is 80%,” wrote Nomura in a research note.

Noble’s 2022 bonds, issued last March, climbed 6 points on January 30 to a cash price of 56, following the announcement. The stock fell 11.5% to \$0.23 per share.

The company said it would invite creditors to sign a restructuring support agreement, but did not give details of timing.

Houlihan Lokey advised the ad hoc group of creditors. ■

Rate spike derails Asian G3

■ **Bonds** Demand turns 'tedious' after bumper start to year

BY FRANCES YOON, CAROL CHAN

Asian G3 debt markets hit a speed bump last week as rising US Treasury yields and a supply glut hammered risk appetite, bringing issuance to a momentary stop at a time when tight valuations have been raising concerns of a correction.

After a dizzying start to the year with issuance topping US\$39bn by January 26, well above last January's US\$28bn total, according to Thomson Reuters data, sentiment turned sour last week. Only seven Asian issuers priced US dollar bonds, three with less than one-year maturities, while Chinese property developer **YANGO GROUP** became the first to scrap an offering after bookbuilding.

Shenzhen-listed, Single B rated Yango failed to draw enough orders for US\$250m three-year Reg S notes on Monday after releasing initial

price guidance of 8.875% area – one of the highest yields in the offshore bond market so far this year.

"The spike in US Treasury yields has affected market sentiment and investors are

"Credit spread valuations have tightened across Asia Pacific ex-Japan and it's difficult to see credit spreads rallying significantly in investment grade, while high yield offers value in the shorter maturities."

becoming more cautious," a banker on the deal said, adding that recent heavy supply of new issues also caused indigestion among investors.

POLY REAL ESTATE GROUP and **YES BANK** were the only issuers to sell US dollar bonds on Monday. Yes Bank's 3.75% 2023s had widened 4bp against Treasuries

come mid-week.

Not a single deal was live on Tuesday, and only **ZHONGTAI FINANCIAL INTERNATIONAL** braved the weak backdrop on Wednesday with a heavily anchored issue. **CINDA ASSET**

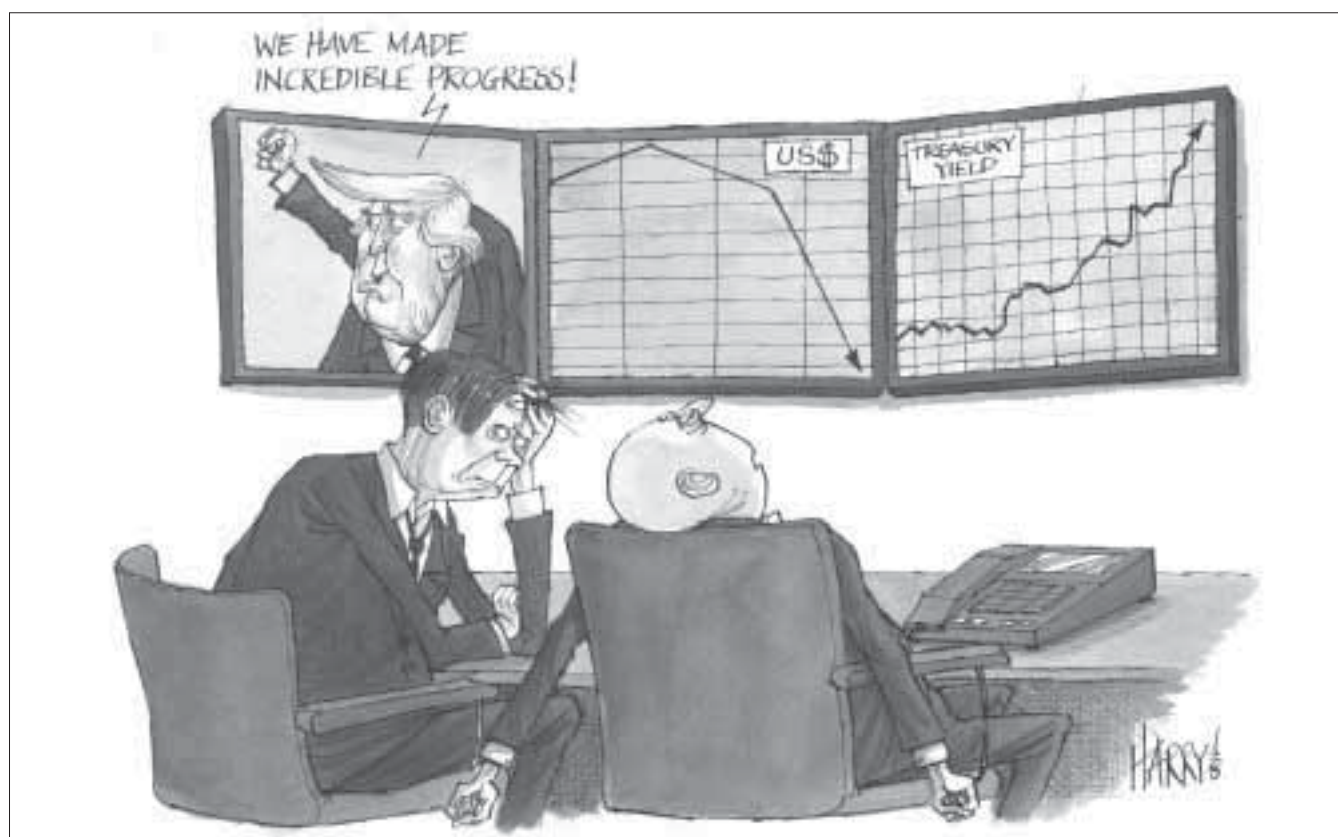
The slowdown marked a sharp contrast from two weeks earlier, when nine deals priced in the region on a single day.

"At the moment, demand for Asian US dollar bonds is tepid," said Owen Gallimore, corporate credit analyst for ANZ. "January is seasonally a subdued month ahead Chinese New Year but this year is exceptional. US Treasury moves, a weaker US dollar and a near-50% increase in supply year on year, plus the price insensitivity of issuers keen to fund offshore, has made this a difficult market to navigate."

YIELDS JUMP

The 10-year US Treasury yield soared to 2.79% intraday on Friday, a near four-year peak, after last week's Federal Reserve policy meeting. Financial markets are largely betting that the next rate increase could come as early as March.

"The market had expected



Treasury yields to rise this year and were only looking at a 2.7%–2.8% range for end-2018, but the jump in Treasury yields has surpassed market expectations,” said an investor, who admitted he had turned more cautious about buying in offshore bonds.

Rising rates have eroded the region’s returns year to date, with the JP Morgan Asia Credit Index clocking in –0.49% as of January 30, versus 4.35% for the same period last year.

This has put pressure on investors, who have recently been offered razor-thin new-issue premiums in the primary market.

“From a total return sense, you’re underwater due to the upward yield pressure from the US rates market, and that’s got some people stepping away and waiting for better value,” said Hayden Briscoe, head of Asia Pacific fixed income for UBS Asset Management.

“Credit spread valuations have tightened across Asia Pacific ex-Japan and it’s difficult to see credit spreads rallying significantly in investment grade, while high yield offers value in the shorter maturities.”

As a precaution, Briscoe said he also planned to rotate out of US dollar credits in the mining and commodities sector and back into China.

Even Chinese investors, who account for a large portion of Asian US dollar bond liquidity, have turned more selective in recent days, and have decided to wait out the volatility until better value emerges.

“We still have net inflows, but we prefer to wait for better new-issue premiums after this correction,” said a bond fund manager at a Chinese real-money investment firm. “Equity markets are also consolidating and there’s also some rebalancing in Treasury markets.”

This week may be the last window to issue offshore bonds before Lunar New Year, with a week-long Chinese holiday beginning on February 15. Given the short window, Cinda

decided to pull the trigger last week, while **GREENLAND HOLDING GROUP COMPANY** began marketing three and five-year US dollar notes on Friday at 5.75% area and 6.375% area respectively.

After this week, some mainland issuers may anxiously wait to tap the market after the holidays before their offshore debt quotas expire at the end of March.

YANGO NOWHERE

Still, issuers remain reluctant to pay higher spreads, bankers report.

“Bookrunners have told the issuer that sentiment was worse than the week before, but Yango Group’s management was unwilling to pay a premium for the notes and decided to postpone the deal,” the abovementioned banker said.

“Even if it could price at IPG, it was not what the issuer was looking for. It aimed to price at a lower yield.”

Yango struggled to convince investors that it offered good relative value after Ronshine China Holdings priced a US\$325m 8.25% three-year put two note at 98.066 to yield 9.00% on January 25, the highest yield an offshore bond issuer has paid so far this year.

CHINA LOGISTICS PROPERTY HOLDINGS also priced a US\$100m 362-day note at 9.0% last Thursday, after failing to tighten guidance.

“Ronshine priced effectively two-year bonds at 9% with notes rated a notch higher than Yango’s. There is no ground to convince investors,” the banker said.

Ronshine is rated B2/B/B+, while Yango is B2/B/B. Fitch rated Ronshine’s new notes B+ and gave an expected B– rating to Yango’s proposed issue.

UBS, Haitong International, Guotai Junan International, DBS Bank, CLSA and AMTD were joint global coordinators on the Reg S issue. They were also joint lead managers and bookrunners with Industrial Bank, Hong Kong branch, China Citic Bank International and Bank of China (Hong Kong). ■

Loan bankers pin hopes on M&A

■ **Loans** Cash-rich private-equity funds expected to boost deal activity

BY CHIEN MI WONG

Mergers and acquisition activity and synchronised global economic growth are expected to boost loan market volumes in 2018, according to participants at the Asia Pacific Loan Market Association’s annual summit in Hong Kong.

“With more M&A, leveraged finance remaining strong and some of the business from the bond market coming back, [loan] volumes should go up [in 2018],” said Jose-Antonio Olano, Societe Generale’s global head of loan syndicate during a roundtable at last week’s event.

The market received a shot in the arm with the announcement that private-equity giant Blackstone Group is buying a 55% stake in the Financial and Risk business of Thomson Reuters in a deal valuing the unit at about US\$20bn. The US\$14bn in debt backing the purchase will be the largest leveraged buyout loan since 2013.

“For the first time in 10 years, you have three of the global regions growing very nicely. Private-equity firms have got billions of unspent money that has been raised in the 2016/17 fundraising cycle,” said Ray Doody, HSBC’s global head of leveraged and acquisition finance.

“Notwithstanding some of the regulatory issues that the buyers are going to face, this will be a good year for M&A as a result of economic and CEO confidence.”

Blackstone’s purchase of the stake in the F&R unit of Thomson Reuters, expected to close in the second half of the year, will go some way towards bolstering the tally for

2018 after a blockbuster 2017. The value of deals hit a record last year, totalling US\$3.6trn, according to Thomson Reuters data, as M&A activity surpassed US\$3trn for the fourth year in a row.

REGULATORY HURDLES

Delegates did warn that M&A could face some resistance from regulatory bodies. For instance, on January 2, a US government panel rejected Ant Financial’s US\$1.2bn acquisition of US money transfer company MoneyGram International over national security concerns.

Chinese conglomerate HNA’s purchase of US hedge fund Skybridge and the petroleum products, storage and logistics business of Swiss trader and miner Glencore have been left in limbo due to the company’s opaque shareholdings and ownership structure.

Along with protectionism, rises in US interest rates will be another source of concern this year. Last Wednesday, the US Federal Reserve kept interest rates unchanged, but said inflation would likely rise in 2018, bolstering expectations that borrowing costs will continue to climb.

That would vindicate the preemptive refinancings some borrowers, particularly those from the US, have embarked on.

Bankers pointed to signs of refinancing being impacted already with volumes in the US for the month of January down 40% compared with the same period in 2017. As a result, panellists noted that the quality of deals would have to go up in 2018 amid expectations of lacklustre deal flow. ■



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Sharjah scores Panda first

■ **Bonds** More Middle Eastern issuers seen visiting market after emirate's print

BY INA ZHOU, CAROL CHAN

Sharjah, the third-largest constituent of the United Arab Emirates, last Thursday became the first Middle Eastern issuer to sell Panda bonds, paving the way for more cash-strapped Gulf sovereigns to raise funds in China.

The government of the Emirate of Sharjah, rated A3/BBB+ (Moody's/S&P) internationally and AAA by China's Lianhe Credit Ratings, priced Rmb2bn (US\$318m) three-year Panda bonds at par to yield at 5.80%, within guidance of 5.40%–6.00%.

The bonds offered a 103bp premium to China Development Bank's three-year notes, quoted at around 4.77% on the same day. The policy bank is rated Aa3/AA– (Moody's/S&P).

Bankers familiar with the issue said Sharjah could have achieved a lower funding cost if it had sold US dollar bonds, but that gaining access to the renminbi market gave it more financial flexibility.

NEED FOR PREMIUM

"Overall, Chinese onshore bond yields are rising. As a new issuer in the market and an unfamiliar name to onshore investors, giving some premium was a must," said a banker on the deal, without putting a number on the size of the premium.

The banker said final pricing was in line with fair value, as previously estimated by the

underwriters.

The issue was launched in the interbank bond market and was also available to offshore investors under the Bond Connect scheme.

Orders were not particularly strong, the banker said, declining to provide a figure. About 27% of the bonds were allocated to foreign investors, with a sizable part handled via

Bond Connect.

Foreign central banks, commercial banks and asset management companies bought into the deal.

The Sharjah offering is part of a rising tide of global bond issues from sovereigns and companies in the Gulf over the past year, as low oil prices have pushed state budgets into deficits and tightened liquidity



CNPC sweetens terms of jumbo EB

■ **Structured Equity** Oil giant returns six months after debut sale

BY KEN WANG, FIONA LAU

CHINA NATIONAL PETROLEUM CORPORATION has launched a record Rmb20bn (US\$3.18bn) sale of exchangeable bonds just six months after making a Rmb10bn debut.

For the first public EB issue of the year, the oil giant set more investor-friendly terms than for its first outing last year, in a sign that Chinese issuers have to work harder to woo investors after a flood of equity-linked offerings and an increase in onshore bond yields.

The five-year bonds exchangeable for the A-shares

of **PETROCHINA** will be the largest EB in the domestic market, surpassing China Communications Construction Group's Rmb16bn private issue last November with the A-shares of China Communications Construction as the underlying.

Despite the overwhelming investor response to its debut EB, CNPC sweetened terms for the new issue as a reflection of changed market conditions, according to bankers on the deal.

"The equity-linked market expanded significantly last year due to a surge in supply

of both convertible bonds and exchangeable bonds. So, the terms have to be more attractive to attract investors," said one banker on the issue.

CNPC set the coupon at 1.4%, the bottom of the indicative range of 1.4%–2.0%. The initial conversion price has been set at Rmb9.38, a premium of 0.9% to PetroChina's pre-deal spot. The initial conversion premium is the lowest of any public EB issue since at least the start of 2017.

For comparison, CNPC priced its debut EB last July at a coupon of 1%. The initial conversion price was set at Rmb9, a premium of 15.5% to

PetroChina's pre-deal spot.

SURGE IN SUPPLY

China's equity-linked market experienced explosive growth last year, with supply surging after a series of supportive rule changes.

The combined outstanding principal of the equity-linked market tripled last year to Rmb170bn from Rmb56bn, according to Guosen Securities.

The broker's analysts estimate volume will grow further this year, when there will be new equity-linked supply of least Rmb180bn.

Apart from the huge supply, rising bond rates are also a major reason behind CNPC's decision to raise the coupon of the new EB, according to the bankers.

Since CNPC's EB debut last

in the banking systems there.

Moody's said in a December report that Sharjah's fiscal strength was constrained by a growing debt burden. It said the emirate had built up debt faster than revenue in the past few years, taking the debt-to-revenue ratio from 142% in 2014 to 203% in 2017.

BOND TOURISM

Issuing renminbi bonds expands Sharjah's funding channels and could also raise its profile in China to promote tourism, a source familiar with the sale said.

"Tourism is one of the pillars of Sharjah's small economy. The issuer did the trade partly for publicity reasons to attract more Chinese tourists," said the source.

According to official data, more than 86,000 Chinese visitors stayed in Sharjah hotels in 2016, up 63% from the previous year.

Sharjah's deal was the first sovereign Panda bond this year and the fourth sovereign Panda issue after those of South Korea, Poland and Hungary. Hungary printed the last sovereign Panda bonds in July 2017.

Other Middle Eastern countries are reportedly looking

to issue renminbi bonds.

Reuters said last August that Saudi Arabia was considering partly funding itself in Chinese currency, quoting a senior official from the kingdom.

The banker on the Sharjah trade expected more Mid-Eastern issuers to visit the Panda market in the future.

"Just like after Poland's Panda bond issue, Hungary followed suit and also printed one," he said.

The new notes were the first under Sharjah's Rmb3bn Panda bond programme registered with the National Association of Financial Market Institutional Investors.

The notes were issued in the name of **SHARJAH FINANCE DEPARTMENT**.

Proceeds will be remitted offshore, converted into dirhams and consolidated into Sharjah's budget, according to the prospectus.

Bank of China was lead underwriter and lead bookrunner on the offering, while *Industrial and Commercial Bank of China* was joint lead underwriter and joint bookrunner.

HSBC (China) and *Standard Chartered (China)* were also joint lead underwriters on the issue. ■

July, China's five-year Top Tier AAA bonds benchmark has risen about 90bp as of January 31, according to Thomson Reuters's data.

DROP IN PRICING

CNPC's outstanding EB has fallen about 6.6% to be quoted at 106.51 on January 31 from a peak of 114.02 on January 25. Bankers, however, believe the recent fall will not have much of an impact on investor demand.

"The investor appetite is still positive for the new issue because many investors focus more on the long-term value of the new EBs," said another banker on the deal.

Everbright Securities analysts estimate the issue will attract orders from 200 to 300

investors, with an allocation rate of 0.3% to 0.5%.

Bookbuilding runs from February 1 to February 6.

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

The securities can be exchanged for PetroChina A-shares 12 months after issue.

CNPC holds 155bn PetroChina A-shares, representing about 84.6% of the total issued capital.

China Securities, *Goldman Sachs*, *Gao Hua Securities* and *CICC* are joint leads on the offering. The three banks are also joint bookrunners with *China Galaxy Securities*, *China Merchants Securities*, *Citic Securities* and *BOC International (China)*.

Proceeds will be used to replenish working capital. ■

Fast start for Kauri market

■ **Bonds SSAs return to New Zealand to lock in demand-led pricing benefits**

BY JOHN WEAVERS

Pent-up investor demand has fuelled a rapid start to the year in New Zealand's Kauri bond market, with five regular Triple A rated supranationals and agencies making visits in January followed by two further trades on February 2 to take year-to-date issuance up to A\$2.8bn (US\$2.04bn).

This is just NZ\$100m shy of the 2017 full-year total of NZ\$2.9bn, with the 2014 and 2015 annual record of NZ\$6.3bn potentially in reach as the year wears on.

The lack of Kauri supply since last September, A\$2.325bn of redemptions coming up in February alone and the postponement of a planned syndicated sale of new sovereign April 20 2029 bonds mean the New Zealand market is ripe for a rush of new offerings.

"January brought strong demand, compounded by redemptions and more conducive New Zealand dollar swap spreads and basis all combining to make the Kauri market sufficiently attractive to issuers, many with new funding programmes," said Glen Sorensen, syndication manager at ANZ Bank New Zealand.

This year's hefty issues from Nordic Investment Bank, Asian Development Bank, Inter-American Development Bank, the World Bank and Rentenbank all targeted the five-year sweet spot, where they benefited from tight mid-swap spreads between 33bp and 37bp, down from 41bp–50bp in the first two months of 2017.

"Five years is where Kauri markets have historically found the broadest and deepest demand. Domestic bank liquidity books have been a strong contributor to Kauri books in early 2018 and this is

a tenor that typically appeals to them," said Sorensen.

"I would describe the offshore participation as high quality and fairly diverse by Kauri standards, but it is the large volume of domestic demand that has driven deal sizes to record levels," Sorensen said. He estimated locals contributed 60%–70% of orders for the four Kauri trades ANZ helped to arrange this year.

Cash-rich domestic investors have only a small amount of potential Triple A and/or Double A rated assets available to acquire, given the lack of local securitisations and limited government supply.

Gross central government issuance is expected to total NZ\$28bn from fiscal 2017–2018 to 2020–21 (NZ\$7.0bn for each fiscal year), but, with redemptions of NZ\$35.3bn over that period, net issuance is set to decline NZ\$7.3bn over the period for an outstanding New Zealand government bond total of NZ\$67.1bn as of June 30 2021, or 20.2% of forecast GDP.

Offshore investors are drawn to the high absolute yields available in New Zealand, as well as the additional pick-up SSAs pay over sovereign paper, compared with the Kangaroo market.

New Zealand recently lost its absolute yield advantage over US Treasuries, with five-year notes at 2.51% last Wednesday, but it still provides plenty more juice than five-year Gilts, Bunds and JGBs.

A new annual Kauri issuance record may prove to be out of reach, however. Historically, January and February are the busiest months for the Kauri market and things are likely to slow down after that, especially with only NZ\$225m of redemptions due from March onwards. ■

Investors weigh up LGFV risks

■ **Bonds** Recent admissions of unreliable accounting add to headaches for bond investors

BY DANIEL STANTON, INA ZHOU

Recent revelations that some Chinese regions are in poorer financial shape than earlier thought are leading investors to take a harder look at the risks involved in debt linked to local governments.

In January, Fitch downgraded **INNER MONGOLIA HIGH-GRADE HIGHWAY CONSTRUCTION AND DEVELOPMENT** after the government of Inner Mongolia Autonomous Region said it had overstated industrial output and fiscal revenue for 2016.

The same month, the official People's Daily wrote that Tianjin's **BINHAI NEW AREA** had overstated its GDP for 2016, while, last year, the north-eastern province of Liaoning admitted to faking fiscal data from 2011 to 2014.

"In provincial SOEs [state-owned enterprises], people need to be more selective," said Jimond Wong, managing

director and senior portfolio manager for fixed income at Manulife Asset Management. "A number of provinces have been

of different municipalities could change in future.

It estimated that Rmb1.5trn (US\$237bn) of LGFV bonds

"The central government needs to tighten up processes, whether it is reporting or auditing. Previously, officials were assessed on the economic development of their regions, but looking at the bigger picture may give less incentive for them to push growth where growth may not be. These are still very much isolated incidents, and China is certainly not the only country where local governments have had to restate figures"

confessing their numbers as reported are not correct."

DEFAULT RISK

CICC said in a note that more confessions from local governments could not be ruled out, meaning the risk ranking

would mature this year and said the risk of defaults was "significantly higher". Beside redemptions, LGFVs will need to service total interest payments of Rmb300bn this year.

A Beijing-based investor with

a Chinese securities house said he expected onshore LGFV bonds to be repriced to show greater yield differentiation among the issuers.

However, he said the timing of significant repricing might depend on when the first defaults of LGFV bonds happened.

"Investors definitely have become more cautious towards LGFVs from those regions that reportedly inflated their fiscal numbers. After all, LGFVs link directly to local economic strengths," the investor said.

Some Chinese local government-owned enterprises may expect to benefit from implied support, but, in theory, LGFVs are off local government balance sheets and should not be bailed out.

"A lot of the rating assessment of LGFVs is based on expected support," said Fernando Mayorga, global head of international public finance

NHAI chooses public route

■ **Bonds** Access to retail investors key to reaching half-trillion-rupee annual borrowing target

BY KRISHNA MERCHANT

NATIONAL HIGHWAYS AUTHORITY OF INDIA is mulling the first large public issue of taxable bonds from a public sector company in more than three years as part of a major fundraising drive to fund India's massive road-building programme.

In last week's 2018-19 budget announcement, the government said investments of Rs5.35trn (US\$84bn) would be needed to build 35,000km of roads in next five years, the first phase of the 83,677km Bharatmala project approved last December.

Over the next four years,

NHAI will borrow Rs2.09trn, or around Rs523bn per annum, rating agency Icr estimates based on government figures. Budgetary funding for the road programme will be Rs1.4trn, public-private partnerships will bring in Rs1.06trn, toll collections Rs460bn and monetisation of national highway under a toll-operate-transfer model Rs340bn.

"NHAI is keen on raising long-term funds from public issue. If there is a good response, they will raise funds regularly from the public route, three to four tranches a year," said Ajay Manglunia, head of fixed income at Edelweiss

Financial Services.

For the coming public issue before the end of March, the state-owned issuer is targeting proceeds of Rs50bn, comprising a base size of Rs20bn and a Rs30bn greenshoe, said a DCM banker.

NHAI invited bids from merchant bankers last month but the bankers have yet to get a confirmation on the mandate.

NHAI may price the bonds at around 7.8% to 7.9%, Manglunia said. "For retail investors, NHAI taxable bonds will be attractive compared to fixed deposits where returns are capped at 7%."

NHAI has yet to announce

the size and the format of the bonds.

The last large public issue of taxable bonds from a public sector company raised Rs20bn for IFCI in 2014, according to Icr.

TIGHT FINANCES

The decision to issue taxable bonds to the public is a reflection of the government's lack of fiscal room for manoeuvre and its need for tax revenue.

"The government is trying to reduce the dependence on budgetary support for public sector companies. They want state-owned enterprises to borrow on their own from the market," said a DCM banker.

India is struggling to meet its fiscal deficit target because of higher oil prices and political

at Fitch. "At lower levels, we will see support is not always going to be there, particularly for second-tier or third-tier LGFVs where there are other LGFVs in the same area that can take over their roles."

A Hong Kong-based offshore investor noted that LGFVs used to have two ratings for US dollar notes, but, recently, investors were becoming more comfortable with only one rating, or no rating at all.

"Foreign investors' participation in LGFV US dollar bonds is actually getting bigger, attracted to the juicy yields they offered," he said. "However, I don't believe there will be such a thing – higher yields but lower risks."

The risks related to local governments mean bond investors need to put in more work to understand state-linked credits.

"We know what kind of industries certain provinces are strong in and how they have been affected in this cycle, whether they are aggressive in their spending, and whether they have planned a project

that is not economic," said Manulife's Wong.

"We don't invest in China muni bonds per se, but we invest in corporations operating in the province if we have a clear sense of what business they are in, and how it is doing. If it is listed then even better, so we can cross-check."

FIELD TRIPS

In addition to written information, face-to-face visits may even be required.

"We tend to visit some issuer cities to see the infrastructure construction activities, property market developments, consumer sentiment and have a tour on the projects of local LGFVs," said Leo Hu, senior portfolio manager for emerging markets debt at NN Investment Partners.

"By doing so, we get a better sense of the local government financial condition (via taxes and land sales) and the strategic importance of respective LGFV to the local governments."

Generally, local governments have benefited from China's booming property market,

which has allowed them to bolster their balance sheets through land sales.

"Land sales for local governments increased around 30% last year, and a double-digit growth for the last two," said Terry Gao, senior director for international public finance at Fitch. "While their financials are in good shape, some would like to push through reforms, ahead of any rainy days."

In addition to individual local government action, the central government can also play a role in applying tighter standards.

"The central government needs to tighten up processes, whether it is reporting or auditing," said Mayorga at Fitch. "Previously, officials were assessed on the economic development of their regions, but looking at the bigger picture may give less incentive for them to push growth where growth may not be."

"These are still very much isolated incidents, and China is certainly not the only country where local governments have had to restate figures – look at

Latin America and Europe."

So far, offshore investors have not panicked about the news of unreliable data at local governments. There has been no sign of a sell-off in LGFV bonds, and even Inner Mongolia High-Grade's yield on its US\$400m unrated 2020 bonds widened only 35bp, to 4.9% on January 29, according to Thomson Reuters data, in the weeks since its inaccurate data were revealed.

According to China Central Depository & Clearing, yields on AAA rated three-year onshore LGFV bonds have risen 12bp to 5.48% (January 30) since January 8.

Since November 2017, yields on AAA rated three-year onshore LGFV bonds have gone up 58bp to 5.48%, showing that the Inner Mongolia High-Grade news was not the only factor moving bonds.

"In the case of China's local government financial figures, we have a reasonable degree of confidence," said NNIP's Hu. "While there may be some exceptions, overall the data quality is acceptable." ■

pressure to woo rural voters and small businesses ahead of general elections in 2019.

Finance Minister Arun Jaitley announced last Thursday that the fiscal deficit will reach 3.3% of GDP for FY18-19, higher than the 3% target set earlier.

"We could see more public sector companies come and raise money from the market depending on investor appetite and success of NHAI," said Shubham Jain, vice president and sector head for corporate ratings at Icria.

Icria has assigned a AAA/stable rating for NHAI's Rs590bn long-term borrowing programme.

NHAI is looking to diversify its funding options by tapping the retail investor base. Last May, it raised Rs30bn from a five-year debut issue of

Masala bonds at 7.3% and has been regularly placing bonds privately with Employees' Provident Fund Organisation

"NHAI is keen on raising long-term funds from public issue. If there is a good response, they will raise funds regularly from the public route, three to four tranches a year. For retail investors, NHAI taxable bonds will be attractive compared to fixed deposits where returns are capped at 7%."

and Life Insurance Corporation of India.

Huge supply from NHAI will not be concern for the bond market, according to fund managers.

"Corporate bond supply is

low compared to supply of state government bonds and government securities," said R Sivakumar, head of fixed

income at Axis Mutual Fund. The market should be able to absorb a heavy supply from the public sector, although spreads could rise for large issuers.

NHAI's market borrowings will be higher than the Rs330–

Rs350bn recorded in the past few years, said Icria's Jain. "We need to see if NHAI can ramp up and sustain the borrowing."

Another question mark is the ability of the government to meet its road-building target given its poor track record.

The 350,000km goal over the next five years looks ambitious since 26,225km of roads were built in last 17 years, according to Icria. "There are issues surrounding land acquisition, arranging the funding and execution of resources," said Jain. "Several companies which bid for road projects have stretched balance sheets."

NHAI is also in talks with sovereign wealth funds like the Abu Dhabi Investment Authority for investment in road projects, said a DCM banker. ■

Peak swap terms for Singapore

■ **Bonds** Favourable USD/SGD basis swap contributes to large cost savings from dollar issues

BY KIT YIN BOEY

Singapore companies seeking cheaper funding in the US dollar bond markets could see a window closing in the months ahead with benchmark rates set to rise further.

For the moment, the US dollar/Singapore dollar basis swap, which tracks the cost of swapping foreign currency funds into Singapore dollars, is strongly in favour of issuers intending to bring proceeds back into the Singapore dollar market.

"A corporate can issue a five-year USD note, swap the proceeds to SGD and achieve a theoretical savings of around 20bp – assuming similar credit

spreads," said Eugene Leow, rates strategist at DBS Bank for G3 and Asia markets. "In relative terms, synthetic SGD funding relative to USD funding has not been this cheap since 2011."

He cautioned that this relative cheapness in Singapore dollar funding might dissipate as higher government bill issuance soaks up liquidity and as basis swaps tighten further. Indeed, Singapore dollar SOR levels rose 4bp–8bp last Tuesday across most tenors as reports emerged that the Singapore government had issued more short-term bills to absorb excess liquidity.

The temporary surge in the SOR levels did not erase

current cost savings from the favourable basis swaps, but it reflected the volatility in the market and potential for the rates to rise further, adding some urgency to any plans to tap the US dollar market. The five-year USD/SGD basis swap is hovering around –0.16% – the more negative the number, the higher the savings.

Companies in Singapore, however, seem in no rush to raise funding offshore.

"There is currently no surge in the number of companies looking to take advantage of that saving," said one debt syndicate banker in Singapore. "You see almost the same names as those last year that will access the US dollar bond

market, but it's unlikely that you will see many new entrants."

"Besides, local companies have too many alternatives – they are either cash-rich, have access to cheap bank loans or can easily raise funds in the local bond market at very tight levels," the banker said.

Bankers said the basis swaps turned in favour of Singaporean companies last year, prompting a number of them, including high-yielding credits, to access the US dollar markets.

Fullerton Health, for instance, sold a US\$175m 7% unrated perpetual bond in late March, drawing a decent book of US\$525m on a solid

Aussie infra lending looks weak

■ **Loans** Slim pickings for lenders as privatisation pipeline slows

BY SHARON KLYNE

Dwindling privatisations in Australia are expected to hamper the 2018 infrastructure financing pipeline, limiting opportunities for lenders in a market that is becoming more competitive every year.

There are only a handful of deals in store for this year. They include the privatisation of New South Wales' 51% stake in the A\$17bn (US\$13.78bn) WestConnex motorway project and the multi-billion dollar Cross River Rail public-private partnership in Queensland.

However, the sheer sizes of these projects may prop up this year's infrastructure loan volumes to 2017 levels, according to bankers.

A loan of A\$5bn-plus could emerge for the bidder succeeding in buying the majority stake in NSW's Sydney Motor Corporation, which owns the 3km network of roads and tunnel

connecting two toll roads called WestConnex. The total financing required would be as much as A\$10bn, including equity, to buy the 51% stake and fund the construction of the third phase. Preliminary bids are due in late February.

Queensland state's A\$5bn Cross River Rail project, which includes a tunnel and

underground stations beneath the Brisbane River and the central business district, has also received expressions of interest. The winning bidder could raise several billion dollars of debt for the project.

Beside these two mega deals, the pickings are slim, bankers say. Victoria and Western Australia are selling their land

registries, while the former is considering another package of road upgrades after closing the A\$1.8bn Western Roads Upgrade Project in December. A tender of up to A\$1bn to replace rolling stock in New South Wales regional train network is also under way.

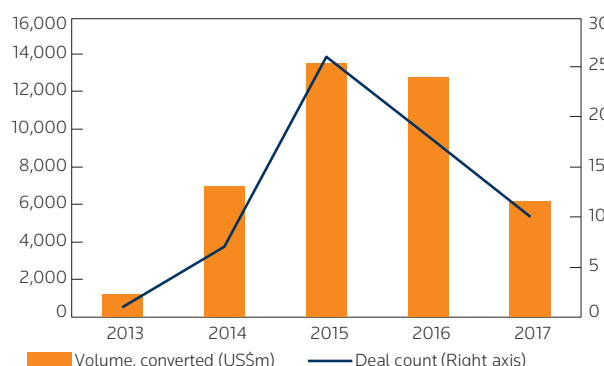
However, these opportunities pale in comparison to past ones. Infrastructure loans for airports, ports, hospitals, rail, roads and schools were already decelerating in 2017, with the US\$6bn in deals representing a 53% plunge from the US\$12.8bn transacted in 2016, according to Thomson Reuters LPC data.

TOUGH COMPETITION

Even when the flow is robust, abundant liquidity and intense competition among lenders result in most of the transactions being clubbed. For instance, despite its jumbo size, 18 lenders clubbed a A\$5.92bn loan for the privatisation of NSW power grid Endeavour Energy last June.

Infrastructure deals of less than A\$1.5bn in size can easily be clubbed among 10–12 lenders, according to loan

AUSTRALIAN INFRASTRUCTURE LOAN VOLUME FALLS IN 2017



Includes airports, ports, hospitals, rail, roads, schools
Source: Thomson Reuters LPC

response from fund managers. Highly geared Oxley Holdings surprised cynics with a US\$200m unrated four-year note in April at 6.375%.

Parkway Pantai, Olam International, SP Power Assets and the three major banks also issued in US dollars.

Singaporean issuers accessing the offshore bond markets typically have investment-grade ratings. However, Fullerton and Oxley, the two high-yield unrated issuers, also took advantage of robust appetite for higher yields among foreign investors as corporate spreads tightened throughout 2017.

Last year, Singaporean companies raised around US\$9.65bn in foreign currencies, the bulk of it denominated in US dollars, up from US\$7.8bn of bonds sold in 2016. ■

syndicators.

The thinning pipeline will make it even more difficult to get a piece of the action.

"It is difficult to get a chance to do these public-private partnerships. They are not large deals and tend to be clubbed," said a loans banker at an offshore Asian bank.

Not surprisingly, given the lack of deals available to lenders, the A\$3.5bn borrowing for Metro Tunnel, which is in syndication, is drawing strong interest, although the minimum ticket size of A\$100m could be a hurdle for smaller banks.

Increasingly, foreign banks, attracted to the high-quality assets in infrastructure financings are chipping away at the dominance of established players in this segment. Domestic and international banks operating in Australia are finding their grip on infrastructure financings loosening.

"Foreign banks are coming in with more flexible terms and pricing than the Aussie banks and established players," said a senior loans banker. ■

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■ TOP STORY BANKS

CBA plays safe with internal CEO pick

Comyn to succeed Narev despite breaches at retail unit

COMMONWEALTH BANK OF AUSTRALIA has handed the CEO role to retail banking chief *Matt Comyn* in a move that surprised observers, but drew praise from most.

Comyn, 42, will take over the reins on April 9 from Ian Narev, who announced last August he would be standing down after the biggest scandal to hit the Australian banking sector in years.

Analysts and investors expected CBA to turn to an outsider, as a symbolic gesture it wanted to turn the page on the crisis that hit the bank last year over allegations of money-laundering.

CBA chairman Catherine Livingstone said in a statement last Monday that the board had looked for a candidate with the ability to “restore the bank’s reputation in areas where trust has been damaged” and “renew and cultivate the right culture”.

As the head of the retail unit, where the lapses in controls occurred, Comyn was a counter-intuitive choice, but Livingstone insisted he was the right man for the job.

“There are aspects of the bank and its culture that we absolutely want to preserve and nurture and Matt is very well aware of those, as he is equally aware of the issues, which have led to our current reputational issues,” Livingstone said.

Last year, Australia’s financial crime agency, Austrac, initiated civil penalty proceedings against CBA in federal court for alleged breaches of anti-money laundering and counter-terrorism financing legislation.

Austrac alleges that, from 2012 to 2015, CBA oversaw tens of thousands of illicit transfers, amounting to A\$624.7m, including some involving known criminal gangs.

CBA has blamed a coding error for most of the alleged breaches, although it is contesting some of the other charges.

The scandal triggered a flood of resignations, including Narev’s, the scrapping of bonuses for senior executives, and laid the groundwork for a Royal Commission, which will look at the conduct of financial services firm.

Prime Minister Malcolm Turnbull announced the inquiry last November under pressure from the opposition Labor party after a series of scandals that have plagued the banking sector.

RIGHT MAN FOR JOB

Comyn’s appointment surprised analysts and investors, although most agreed that he was the best person for the position.

“Comyn is very capable and a high-quality candidate,” said Omkar Joshi, portfolio manager at Regal Funds Management, a CBA shareholder.

“During any other time, he would have got the job without question. The only reason we’re having this conversation is because of what’s happened with Austrac.”

Daniel Mueller, portfolio manager at

“There are aspects of the bank and its culture that we absolutely want to preserve and nurture and Matt is very well aware of those, as he is equally aware of the issues, which have led to our current reputational issues.”

Vertium Asset Management, said CBA was right to opt for an internal appointment.

“My initial reaction was that it was a surprise given that Narev effectively fell on his sword and his direct report from the division that was responsible for the scandal is now his successor,” he said. “CBA has a history of picking its CEO internally, though, and it’s the best-performing bank among the big four. Whenever other Australian banks have looked externally, it usually hasn’t worked out.”

Comyn will be paid a base salary of A\$2.2m, less than Narev, who earned basic pay of A\$2.65m last year. He will be eligible for bonuses of up to A\$6.16m.

Comyn joined CBA in 1999 and held a number of senior positions before leaving in 2010 to head Morgan Stanley’s wealth business in Australia.

He returned after less than a year to lead CBA’s local business banking unit and was appointed CEO of its retail division in 2012.

Those who have worked with him describe him as smart, affable and able to inspire confidence in employees.

“The real thing I like about him is his ability to get along with people,” said one rival banker. “Narev is extremely smart,

but, sometimes, he didn’t have much patience with people who weren’t as smart as him.”

CBA looked at other internal candidates, although Comyn was quickly identified as the right man for the job if they hired internally.

Chief financial officer Rob Jesudason had been mentioned, although he only joined CBA last July. Kelly Bayer Rosmarin, head of institutional banking, was also rumoured to have been considered, but her division has been a weak performer lately, partly because of low interest rates.

Among a handful of external candidates, the one the board was reported to have looked at most seriously was Royal Bank of Scotland Group CEO Ross McEwan, a New Zealander.

He was viewed as a good cultural fit given his time at CBA until 2012 and experience running RBS, which is still wrestling with various scandals going back to the global financial crisis.

But sources IFR spoke with said that the choice of an internal candidate was unsurprising, especially given the problems Australia and New Zealand Banking Group experienced after it hired Mike Smith from HSBC in 2007.

“They wanted to avoid a situation similar to when Mike Smith took over at ANZ and tried to turn them into a supra-regional bank,” said one source. “[Current ANZ CEO] Shayne Elliott is doing a good job of unwinding that, but it will take time.”

Last Thursday, the Australian Prudential Regulation Authority released a progress report into its own inquiry into the alleged money-laundering breaches at CBA, but said it would reserve its observations on governance, culture and accountability for its final report, due by the end of April.

“The Panel does not consider it appropriate to draw conclusions, even preliminary ones, before this work is completed and all relevant evidence collected and carefully evaluated,” the regulator said.

Meanwhile, the Australian Securities and Investments Commission said last Tuesday it had started legal proceedings against CBA over rate-manipulation allegations. (*See In Brief*)

THOMAS BLOTT

India deepens corporate bond market

India has taken steps to deepen the corporate bond market in its budget for 2018-2019, although the slippage of fiscal targets is likely to worsen the current sell-off in the short term.

Finance Minister Arun Jaitley said last Thursday in the annual budget that the government would work to make a broader universe of bonds fit for institutional investment.

"In India, most regulators permit bonds with the 'AA' rating only as eligible for investment. It is now time to move from 'AA' to 'A' grade ratings. The government and concerned regulators will take necessary action," he said.

Corporate bonds rated BBB or equivalent are investment grade, Jaitley pointed out.

Investors praised the measure as it will allow a broad range of corporations to access long-term money in the debt markets.

"This is a welcome move, insurance companies have long-term capital and are in a position to take on risks of corporate paper in a scenario when the economy is expected to pick up and corporate earnings are set to improve," said Sandeep Bagla, associate director at Trust Capital.

"Employees' Provident Fund Organisation, Pension Fund Regulatory and Development Authority and Insurance Regulatory and

Development Authority are expected to make necessary regulatory announcements on investments in bonds up to a rating of A grade from the current restriction of up to AA category," said Jayen Shah, head of DCM at IDFC Bank.

Jaitley also said that the Securities and Exchange Board of India would also consider mandating that companies, beginning with large ones, meet about one-fourth of their financing needs from the bond market.

Market participants will be awaiting further clarification from the regulator. "[The] market is keen to understand if the new guidelines will be complementary to Reserve Bank of India guidelines on limits on bank's exposure to corporates or something further," said Shameek Ray, head of debt capital markets at ICICI Securities Primary Dealership. "In either case, it is extremely encouraging to see regulators working in unison on corporate bond reforms."

SELL-OFF ESCALATES

While the budget announcement raised hopes for the future, the sell-off in the bond market escalated.

The yield on 10-year government bonds maturing in January 2028 went up 24bp to 7.67% after the government revised the fiscal deficit target to 3.5% of GDP from 3.0% for FY18-19.

The yield on 10-year AAA rated corporate bonds rose to 8.6% from 8.49 on January 31.

Jaitley increased government spending for rural areas and raised minimum support price guarantees for farmers ahead of a general election next year, measures analysts

said were inflationary.

"The sell-off will continue in the bond market," said Bagla of Trust Capital. "The Reserve Bank [of India] will continue with the hawkish stance during the policy meeting on February 7 and raise rates faster than expected given the fiscal slippage."

The budget also introduced a long-term capital gains tax on listed securities for gains of over Rs100,000.

"The planned introduction of a capital gains tax of 10% for equity investments in the near term risks dampening demand from foreign investors and eroding a key support for the rupee," said ANZ Research in a note dated February 2.

Jaitley also broadened the scope of the International Financial Service Centre (IFSC) at Gift City.

"IFSC needs a coherent and integrated regulatory framework to develop fully and to compete with other offshore financial centres," he said.

"The government will establish a unified authority for regulating all financial services in IFSCs in India."

Gift City is the culmination of Prime Minister Narendra Modi's ambition to create an international financial centre in the western state of Gujarat, incorporating India's International Exchange (INX).

Indian Railway Finance Corporation became the first public-sector company to list a bond on BSE INX last month, a US\$500m 10-year Green issue. NTPC also recently listed its US\$6bn medium-term note programme.

KRISHNA MERCHANT

Australia begins long road to TLAC

Australia has taken a baby step on the path to a domestic total loss-absorbing capacity (TLAC) regime, but the journey is likely to take several years.

Towards the bottom of last Wednesday's paper outlining banking policy priorities in 2018, the Australian Prudential Regulation Authority recommends starting consultations later this year on implementing the 2014 Financial System Inquiry's call for a TLAC framework.

TLAC regimes are already at work in the US, Europe and parts of Asia, where the risk of taxpayer-funded bailouts of global systematically important banks in a future financial crisis is contained by additional buffers through the use of new bail-in instruments.

These so-called Tier 3 or senior non-preferred

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

European banks now regularly issue senior non-preferred bonds that are typically rated two notches below standard senior bonds by the three main rating agencies. US banks have issued TLAC-eligible instruments through their holding companies.

The latter option is not open to Australia's four major banks since they do not operate under holding companies, though non-majors Suncorp and Macquarie do.

The introduction of Tier 3/non-preferred notes in Australia would potentially push up overall wholesale funding costs, due to their lower ratings.

An Australian TLAC regime could also

divert issuance towards onshore rather than offshore bond markets, if the US-style statutory system is adopted whereby TLAC-eligible notes must be sold under local law.

However, last Wednesday's APRA priority list did not trigger much of a response locally.

"The financial reform process is notoriously slow in Australia. The paper showed APRA is prioritising risk weights and capital structures before TLAC, which, remember, was recommended by the FSI back in 2014," said a DCM manager at a major Australian bank.

"I wouldn't expect a discussion paper to be published until next year to which the banks will then offer feedback on before any final report and subsequent legislative passage. Australia's simplified securitisation framework, known as APS 120, famously went through many years of to-and-fro before its final implementation in 2016," he said.

JOHN WEAVERS



India sets recap bond coupons

Bonds to be issued in India as part of a Rs2.11trn (US\$32bn) government bank recapitalisation plan will carry coupons of 7.35% to 7.68% and have tenors of 10 to 15 years, according to a notice in the official Gazette of India.

Twenty public sector banks will be allocated Rs800bn of recap bonds, to be issued in six maturities. **STATE BANK OF INDIA** will receive the highest amount at Rs88bn, followed by **IDBI BANK** at Rs78.8bn, **BANK OF INDIA** at Rs69.75bn and **PUNJAB NATIONAL BANK** at Rs54.73bn.

The special securities will be issued in

the form of stock to be held at the investing bank's subsidiary general ledger account with the Reserve Bank of India's Public Debt Office. Interest will be paid half yearly.

The banks will not be able to trade the securities. These will be exempt from the amount lenders must set aside to buy sovereign paper to meet a statutory liquidity ratio (SLR).

The banks can hold the bonds in the held-to-maturity category and do not have to report mark-to-market losses on the holdings.

"The structure of the bonds is favourable

for the banks. The recap bonds will not affect the demand for government securities since they are not included in SLR," said a bond trader from a foreign bank. The government has excluded recap bonds from SLR at a time when bond yields are rising on the back of supply concerns and banks are expected to report huge losses on their holdings of government securities.

"The coupon on the recap bond is attractive and the banks will earn interest income from investments in recap bonds," the trader said. The 10-year government security maturing in January 2028 is trading at 7.41%, according to Thomson Reuters data.

KRISHNA MERCHANT

Stock gains help SMFG and Mizuho

A steadily improving Japanese economy and a stock market rally helped to counter the impact of low interest rates at two of the country's major banks, boosting their bottom lines in the third quarter.

SUMITOMO MITSUI FINANCIAL GROUP, Japan's second-largest bank by market valuation, and **MIZUHO FINANCIAL GROUP**, the third-largest lender, both reported hefty gains in their stock portfolios last Wednesday.

Net profit at SMFG rose 23% to ¥227.9bn (US\$2.1bn) in the quarter ended in December, according to Reuters calculations. SMFG and other Japanese banks disclose only cumulative nine-month figures.

SMFG's gains from its stock portfolio more than doubled in the nine months, as Japanese banks actively reduced holdings of their corporate clients' shares, originally purchased to cement business ties, a

practice criticised as exposing the banks to market swings.

A rally in the stock market at home and abroad also lifted the performances of its brokerage and investment banking unit.

In addition to hefty gains from its stock portfolio, a clawback of bad-loan provisions lifted Mizuho's net profit for the October-December quarter 8.6% to ¥159bn.

The bank said it booked a ¥169.4bn gain for the nine-month period to December 31 after it released past bad-loan provisions given the reduced likelihood of customer defaults.

While the lender had been hurt by rock-bottom interest rates under the Bank of Japan's massive stimulus measures, it said fee revenue improved in the latest quarter.

Last Friday, the country's top lender, **MUFG** posted the most disappointing earnings as low interest rates dragged its third-quarter

profit down 20% to ¥236.5bn, the smallest profit in three quarters.

For the full year through March, the bank kept its net profit forecast of ¥950bn, up 2.5% from the previous year and below an average estimate of ¥1.01trn in a poll of 14 analysts by Thomson Reuters.

The bank said its profits were also hurt by an increase in operating costs as it aggressively expanded its overseas business.

MUFG and its peers have been trying to offset weak domestic lending with accelerated build-ups in their overseas businesses.

In December, MUFG said it had agreed with Temasek Holdings, Singapore's state investment arm, to buy 73.8% of Indonesia's fifth-largest lender, Bank Danamon, in three stages, adding that eventually it wanted to make it wholly owned.

MUFG already has stakes in Vietnam's VietinBank, Thailand's Bank of Ayudhya and the Philippines' Security Bank Corp. TAIGA URANAKA

Nomura profit belies wholesale banking pain

NOMURA HOLDINGS reported a 26% surge in pre-tax profit for its latest financial quarter despite a stuttering showing in its wholesale division.

Japan's largest investment bank and brokerage firm said last Thursday pre-tax profit for the third quarter from October to December at its wholesale division, which includes global markets and investment banking, tumbled more than two-thirds to ¥14bn and was a significant drag on its international arm.

The international business saw pre-tax profit plummet 95% from the second quarter to ¥1.7bn, although it remained in the black where it has been since last year after more than a half decade of losses.

Nomura bought Lehman Brothers' equities and investment banking business

in Europe and Asia in 2008 at the height of the global financial crisis and struggled to integrate those units for several years.

It made deep cuts overseas in 2016, shuttering most of its equities and equity capital market underwriting businesses in Europe and slashing headcount in Asia.

The bank has been vocal about expanding in the US, however. Last week it announced the hiring of 15 senior staff in its IB business in the Americas over the past year, including for M&A and leveraged finance.

Its US expansion could include acquisitions, as well as organic growth or picking up teams, people familiar with the matter have said, though competing with the US banks will be tough.

Nomura took a hit from the same difficulties in fixed income, currencies and commodities trading as its US peers in the third quarter, amid a lack of client activity or due to market volatility.

Its Q3 revenue from fixed income was down 32% year on year at ¥79.4bn, although activity picked up after the US Federal Reserve raised interest rates in mid-

December.

Its equities revenue rose 9% to ¥60.8bn, following a decent quarter in cash and derivatives.

IB revenue grew 5% to ¥25.5bn as a result of buoyant equity markets and an increase in M&A mandates.

The bank's earnings had support from the performance of its dominant retail business and gains in asset management, and group pre-tax profit for the third quarter was ¥121bn (US\$1.1bn), up from ¥96bn a year earlier.

Pre-tax income rose more than a fifth in its retail division to ¥31.3bn as rising share prices globally saw more Japanese investors pile into stocks and other products.

Its asset management business recorded a 49% jump in pre-tax income to ¥20.8bn thanks to the market rally, combined with inflows into ETFs.

Nomura booked a ¥45bn gain from foreign-exchange adjustments on the winding up of Nomura Capital Markets, a unit covering EMEA.

THOMAS BLOTT

CBRC targets corporate debt, leverage

China's banking regulator offered an ambitious report of its priorities for the current year, including the lowering of corporate debt, reducing shadow banking and cleaning up financial holding groups, as part of official efforts to reduce financial risk.

In a statement on January 26, the China Banking Regulatory Commission said overall risk in the sector was under control, but the situation remained "grim and complicated".

"Regulators must keep clear heads and cannot be blindly optimistic," it said. The statement followed the conclusion of CBRC's national banking supervision and management meeting.

The regulator pointed out that among its top priorities was lowering corporate debt, while strictly controlling credit to highly indebted firms.

CBRC also elevated cleaning-up financial holding companies and disposing of high-risk institutions, a move that could pave the way for the restructuring of some high-profile companies.

In an interview published last week

in the official People's Daily, the CBRC chairman warned that "a small number of criminals" had used "complex structures, fictitious investment and circular capital flows to create illegally large financial groups".

This had become a severe obstacle to advancing financial reforms, which must be strictly dealt with according to the law, he said.

The banking regulator has moved aggressively over the last year to cut the growth of shadow-banking assets and the use of off-balance-sheet business.

Controlling financial sector risk was identified as a national priority at its Central Economic Work Conference in December. The country's financial regulators have made clear that supervision is only set to tighten.

The CBRC said among other priorities for the year were curbing household leverage and cracking down on misappropriation of personal loans for stock market and real estate investment.

The regulator said it would also keep shrinking interbank investment and promote the transformation of the wealth management business.

MACRO-PRUDENTIAL REVIEW

In remarks published last Monday, vice central bank governor Yi Gang also said China might include shadow banking,

property financing and internet financing in its macro-prudential assessment (MPA) to help curb risks.

"We will further improve macro-prudential policy framework, explore ways to include shadow banking, real-estate financing and internet financing," Yi wrote in China Finance, a publication under the People's Bank of China.

The central bank would also include interbank certificates of deposit and green credit in its MPA reviews and improve its counter-cyclical adjustments on capital flows, Yi said.

Since the first quarter of 2017, the PBoC has included banks' off-balance-sheet wealth-management products in its examination of broad credit in its MPA risk-tool.

China still has problems and hidden dangers as the country's debt levels remain high and asset bubble risks have yet to be fully contained, Yi wrote, adding that the central bank would maintain prudent and neutral monetary policy, while seeking to increase flexibility and effectiveness of liquidity management.

"Pushing forward market-based reforms of renminbi exchange rate mechanism in an orderly way and enhancing its flexibility will increase the resilience of China's economy and its financial system in coping with external shocks," Yi said.

MATTHEW MILLER, KEVIN YAO

Eurex scraps Singapore plan

EUREX has scrapped plans for a derivatives clearing and exchange hub in Singapore. Instead, it intends to extend trading hours in Europe to capture more business from Asian investors.

The Deutsche Boerse subsidiary received Monetary Authority of Singapore approval in 2015 to operate as a clearing hub, but had repeatedly pushed back the start date.

The derivatives exchange also applied for a MAS licence to operate as an exchange, though it dropped the plans after rethinking its priorities.

Eurex deputy CEO Michael Peters told IFR the proposed merger between Deutsche Boerse and the London Stock Exchange, which fell apart after EU regulators blocked it, had delayed the launch of the Singapore-based exchange.

He said that the migration of Eurex's clearing systems for derivatives and securities in May 2016 to the company's C7 clearing system had prompted a rethink, since this allowed the exchange operator to extend trading hours in Frankfurt.

"We received a clearing licence from MAS in the summer of 2015 and were preparing to receive a licence to operate as an exchange," he said.

"But the proposed merger between Deutsche Boerse and the London Stock Exchange led to a change in priorities. Following the end of the project, we looked at our strategic priorities. One of the outcomes was that we no longer needed two Singapore entities since our new infrastructure could deliver the same solutions for our clients."

Peters said that Eurex planned to extend trading hours to 21 from 14 sometime in this year's fourth quarter to accommodate Asian investors.

Eurex planned to launch a number of contracts targeting Asian investors, including German government bond futures and contracts linked to various MSCI indices, although Peters said these would be available to Asian investors through Frankfurt.

He said that the outcome was more

straightforward for investors in the region.

"It's important to remember that our members would have had to apply separately for clearing and trading membership to these two entities and build up the necessary infrastructure. It would have led to additional cost burdens, which is no longer the case," Peters said.

Eurex's decision comes as a number of derivatives exchanges struggle to gain a foothold in Singapore.

Intercontinental Exchange launched a trading and clearing platform in November 2015, but has attracted only four members so far.

Observers say that Singapore's regulators are often protective of Singapore Exchange's status as a major derivatives hub.

Under the leadership of former Deutsche Bank Asia investment banking head Boon Chye Loh, SGX has been expanding the number of derivatives products it offers, in part because of difficulties in attracting listings due to competition from rival exchanges in the US and Hong Kong.

THOMAS BLOTT

WHO'S MOVING WHERE...

■ **NOMURA** has appointed *Charles Wang* as chairman of China investment banking, effective January 29.

Based in Hong Kong, he reports to Kenji Teshima, head of IB for Asia, excluding Japan. Wang was most recently executive director and vice chairman of BEP International Holdings. He has worked at ICBC International, Deutsche Bank, Zhong De Securities and Merrill Lynch.

■ *Michael Horn* has joined **KPMG** as head of restructuring services in Indonesia. A Harvard-educated lawyer, Horn was recently partner at DLA Piper and earlier Clyde & Co. Horn has spent most of his career in Indonesia and speaks fluent Bahasa Indonesia.

He spent eight years with Financial Security Assurance, a monoline bond insurer that rival Assured Guaranty bought out in 2009.

■ Former Avista Advisory Group managing director *Amit Gulati* is launching his own Singapore-based boutique advisory firm, **AUCTUS GROWTH CAPITAL**.

The firm will focus on structured debt financing and restructuring, primarily in South-East Asia and India.

Gulati has yet to hire staff for his venture.

He was head of the South-East Asia investment banking advisory team at Avista.

He had previously also been with DBS Bank, GE Capital and Standard Chartered.

■ *Eva Zhong* is leaving **CREDIT SUISSE** as head of convertible bonds origination for Asia-Pacific, according to people familiar with the situation. She will join another bank, the people say.

Zhong assumed leadership of the CB origination business last August after Jim McDonnell retired as head of equity-linked origination for APAC. She reported to Aaron Oh, head of structured equity origination for APAC.

A spokesperson from Credit Suisse declined to comment.

Zhong's departure comes amid a significant pickup this year in EL issuance in the region. Total EL issuance in APAC, excluding Japan and A-shares, was US\$6.78bn in January alone, almost matching the US\$6.88bn raised in the whole of 2017.

IN BRIEF

Fitch

Sale of 49% Lianhe stake to GIC

FITCH RATINGS has sold its 49% stake in **CHINA LIANHE CREDIT RATING** to GIC, Singapore's sovereign wealth fund, in the first major move since China opened up its domestic rating market. Fitch said in a statement that "it continues to operate its international credit rating business throughout the region, including through its

offices in Beijing and Shanghai".

In a separate statement to Reuters, it said: "The changes in the regulatory landscape provide an opportunity for us to consider and evaluate how we can best serve the needs of local and global capital markets going forward."

Lianhe, established in 2000, is one of the leading credit ratings agencies in China's capital market. Fitch acquired its 49% stake in Lianhe in April 2007, with Lianhe Credit Information

Service holding the remaining 51%.

Fitch did not disclose the value of the sale to GIC. The agency said it would continue to operate its international credit ratings business throughout the region, including through its offices in Beijing and Shanghai.

BOCI/Jefferies

Global IB marketing agreement

BOC INTERNATIONAL and boutique investment bank **JEFFERIES** have signed an agreement under which

SMFG aims to lift BTPN stake to majority

SUMITOMO MITSUI FINANCIAL GROUP, which aims to raise its stake in Indonesian lender BTPN to a majority, has proposed to merge its subsidiary in the South-East Asian nation with the mid-sized bank.

BANK TABUNGAN PENSIUNAN NASIONAL said last Monday it was conducting an assessment and technical preparation on SMFG's proposal to merge with Bank Sumitomo Mitsui Indonesia.

SMFG owned 40% of BTPN and its CEO said last month his firm was keen to raise its stake to a majority if Indonesian authorities permit.

Some analysts said the move could ultimately result in a higher BTPN stake for SMFG. "There's a possibility that the merger would trigger a tender offer for BTPN's

shares," said Henry Wibowo, an analyst at broker Bahana Securities in Jakarta.

A spokesman at SMFG confirmed it had asked BTPN to consider a merger with its local unit of which the Japanese lender owned 98.5%. The combined assets of the two would amount to around US\$12bn.

BTPN said in a statement to the Indonesia Stock Exchange that a "merger is in line with the direction of the Financial Services Authority in order to consolidate the financial sector, which is expected to improve efficiency and maximise the synergy of the financial sector in Indonesia".

Indonesian authorities are pushing for a consolidation of the nation's 120 banks to boost the sector's efficiency.

Details of a merger, including the value of any transaction, were yet to be decided, BTPN director Anika Faisal told reporters in Jakarta.

"About the change in shareholders' (portions), it is yet to be decided, but it is very possible that share ownership would

be diluted," Faisal said.

The SMFG spokesman said a merger would be complementary, given BTPN's strength in retail business and SMFG's strength in wholesale. The spokesman said nothing had been decided on raising SMFG's stake in BTPN.

After the announcement, shares of BTPN on Monday extended earlier gains to end the day up 25%.

Faisal said that there was no plan to sell shares under a merger.

As at the end of September, BTPN had total consolidated assets of Rp91.37trn (US\$6.86bn), while Bank Sumitomo Mitsui Indonesia had Rp68.58trn.

Faisal said BTPN would discuss the merger plan with Indonesian financial regulator OJK, pointing out that it would require due diligence and a shareholders' meeting for approval.

A banking supervisory official at OJK said it had yet to receive a request for a merger.

TAIGA URANAKA, CINDY SILVIANA

they will provide investment banking advisory and capital markets services to clients globally. BOCI and Jefferies will also distribute equity research jointly under both brands.

CBA

ASIC takes legal action

Australia's corporate regulator said last Tuesday it had started legal proceedings against **COMMONWEALTH BANK OF AUSTRALIA** over rate-manipulation allegations.

The Australian Securities and Investments Commission said CBA was involved in manipulating the bank bill swap reference rate for profit on three occasions in 2012. Australia's biggest bank disputes the allegations.

"ASIC alleges that, on three specific occasions, CBA traded with the intention of affecting the level at which BBSW was set so as to maximise its profits or minimise its losses to the detriment of those holding opposite positions to CBA's," ASIC said in documents submitted to the Australian Federal Court on Tuesday.

CBA said in a statement last Tuesday it had fully co-operated with the regulator's investigations over the last two years.

"Commonwealth Bank disputes the allegations made by ASIC," the statement said.

ASIC is seeking unspecified financial penalties for CBA.

The methodology used to calculate the BBSW was changed in 2013.

The corporate regulator also accused CBA rivals Australia and New Zealand Banking Group,

National Australia Bank and Westpac Banking Corp of rigging the same rate last year. Westpac is defending itself against the allegations, while NAB and ANZ have settled the case.

StanChart

Signing of B&R deal with CDB

STANDARD CHARTERED has signed an agreement with **CHINA DEVELOPMENT BANK** for the state-owned lender to provide up to Rmb10bn (US\$1.59bn) to its London-listed peer for projects under China's flagship Belt & Road initiative.

The memorandum of understanding, covering the next five years, was signed during a meeting between UK prime minister Theresa May and Chinese premier Li Keqiang.

StanChart has been keen to finance these projects. In December, it outlined plans to extend a further US\$20bn to the initiative over the next three years. It contributed to 50 projects under the scheme in 2017. The UK bank said it would use the facility "to support loans that will fund corporate finance projects and trade finance transactions" in the 45 countries covered under the Belt & Road plan where it operated.

"Standard Chartered will make the drawdown decisions and take the credit risk of the borrowers," said the statement.

Overall, CDB has earmarked Rmb250bn (US\$40bn) for Belt & Road projects between 2017 and 2019.

StanChart chief executive Bill Winters said:

"This MoU brings us closer together, and offers more flexibility of funding, especially renminbi funding, to support projects along the Belt & Road initiative routes."

StanChart is not the first non-Chinese bank to support the initiative formally. Last June, CDB also signed a similar agreement with **DEUTSCHE BANK** to provide financing for US\$3bn of projects.

NZX/HKEx

Signing of collaboration MOU

NZX said last Wednesday it had signed a memorandum of understanding with **HONG KONG EXCHANGES AND CLEARING** as they look to collaborate on a range of assets.

"This supports the New Zealand Exchange's commitment to increase its international presence as outlined in NZX's recently released strategy," NZX chairman James Miller said in a statement.

The memorandum entails the two exchanges cooperating in dual listings, derivatives, listed debt and depository receipts.

The exchanges will also work together on green finance and exchange-traded funds.

NZX is focusing on generating new public offerings and targeting overseas investment as it struggles with a dearth of listings and the loss of star player Xero to its Australian counterpart. Trading hours for the NZX's dairy derivatives market were also due to expand by six hours from July, the exchange announced last month. The move is aimed at facilitating easier trading with international peers.

Double standards



Financial hubs claiming the ESG mantle would do well to eschew dual-class shares, says
JONATHAN ROGERS

AS SOMEONE WHO watches the environmental, social and governance (ESG) arena rather closely (as readers of this column are no doubt aware), I often wonder how many of the players who express sincerity in aligning with ESG are simply voicing platitudes rather than actively, as it were, putting their money where their mouth is.

I can't think of a clearer example of this than Singapore's ongoing debate about allowing companies to list on the SGX via dual-class shares. Dual-class listings allow a disproportionate voting right to holders of the special class of share – referred to as weighted voting rights – and enable holders of these rights to exercise control over a

company and avoid dilution.

DCS listings have most frequently cropped up in the start-up sector, particularly among technology and biotechnology companies hungry for initial capital but where owners are leery of consigning what they see as their entrepreneurial “estate” to third parties who brought little or no intellectual input to the project but who would seek to influence the future direction of the company through voting rights – via the traditional means of one share equalling one voting right, and no more.

In the case of start-ups, there are often providers of debt financing, either via loans or bespoke bonds (convertibles, for example) who have entered the picture early on in the hope of finally ending up with a large slug of equity via which they can influence the future direction of the company through their voting rights.

Listings via IPO should facilitate a number of functions, principally the raising of capital to fund the listing company, as well as the provision by the listing venue of secondary equity liquidity, such that the enterprise can be valued with transparency. But of course there's a lot more to it than that, and this involves, for want of a better term, politics.

WHEN A LARGE household name brand which has a track record of profitability selects an exchange on which to list, it is somehow giving a vote of confidence in the country which hosts that exchange, in terms of its governance and its transparency in matters financial – frequent financial scandals involving listed stocks or stocks seeking a listing are certainly red flags in this regard – as well as its economic and political stability, viewed from a long-term perspective.

The latter case is bound up with the issue of prestige, the pursuit of which provides something of a cutthroat backdrop for the senior officials of global stock exchanges.

Which brings me back to DCS. There's something of a battle ongoing between the Hong Kong and Singapore stock exchanges about allowing DCS, with the former having

approved weighted voting rights last December and the latter about to roll out its explicit approval by the middle of the year, with June having been pencilled in for the publication of the rules.

To many, Singapore's move smacks of desperation in a bid to rev up a moribund IPO market which can only pale in comparison to Hong Kong's, which is rightly seen as a conduit to China's entrepreneurial and capital markets landscape. Of course accessing China Inc is not without a degree of reputational risk, as scandals involving backdoor listings on NASDAQ and “S-share” listings on the Singapore have shown.

But it's hard not to want a slice of the action when it comes handling the primary or secondary listings of Chinese leviathans such as Tencent or Alibaba.

A feeding frenzy of sorts has been unravelling to grab the listing of smartphone manufacturer Xiaomi, which is set to be one of this year's biggest tech listings. Still, although there is talk the company is eyeing a Singapore listing in DCS format, a few bankers I spoke to suggest the business may yet go to New York.

That wouldn't surprise me in the context of the US

stock market's prolonged torrid price action. Nor would it surprise me in the context of the deregulatory fever which has a grip on American business practice under the direction of the Trump administration.

Stewardship codes are designed to improve board transparency and buffer the rights of minority shareholders. DCS seem to rail against that dynamic.

BUT I'M TRYING to work out how DCS fit into what appears to be a wave of ESG-targeted reforms in Asia, rooted in stewardship codes which aim to rationalise the relationship between company boards and investors – principally large institutional investors.

Stewardship codes are designed to improve board transparency and buffer the rights of minority shareholders. DCS seem to rail against

that dynamic.

It might of course just be that producing stewardship codes is simply a grand piece of lip service which will demonstrate how up to speed a country is on the ESG front – a “talk” rather than a “walk.”

Indeed, the blunt instrument with which contravention of a country's stewardship aspiration by company management has tended to be share divestment – France's AXA dumped coal stocks last year on ESG-related concerns for example – but it seems not to have too much of a long-term impact on a company's share price when a big fund dumps its stock.

Still, if the entire concept of DCS smacks, if not of blatant spivory, but rather the striking of a pose which is at odds with the ESG zeitgeist sweeping the investment community, countries such as Singapore should eschew them.

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AUSTRALIA

DEBT CAPITAL MARKETS

» LOCAL BANKS LAP UP QTC FLOATER

Domestic banks bought a vast majority of last Tuesday's A\$2.0bn (US\$1.62bn) four-year floating notes from **QUEENSLAND TREASURY CORPORATION** in the largest single-tranche semi-government issue for almost five years.

Despite the large size, joint lead managers ANZ, CBA, NAB and Westpac were able to price the February 7 2022 notes at the tight end of three-month BBSW plus 14.5bp–16.5bp guidance.

Investors in Australia bought 83% of the notes, while those in Asia took 10% and those in EMEA got 7%. Bank balance sheets, anxious to pick up one of the few eligible level 1 liquid assets for Basel III purposes in Australia, were allotted 79%, official institutions 16%, asset managers 3% and trading desks 2%.

At the same time QTC, rated Aa1/AA+ (Moody's/S&P), tapped its 3.25% July 21 2028s for A\$500m. The reopening priced at 99.297 for a yield of 3.33%, the middle of 45bp–47bp guidance at 46bp over EFP (10-year futures) and 46.5bp wide of the May 2028 ACGB.

Of the additional notes, 59% went to local accounts, 25% to Asia, 15% to the US and 1% to EMEA. In terms of investor types, 49% were trading desks, a combined 18% were asset managers and insurance, 17% were bank balance sheets and 16% were hedge funds.

The two issues, which are both Rule 144A eligible, completed QTC's 2017-18 A\$7bn term debt borrowing programme and raised an additional A\$1.5bn of prefunding for borrowing requirements in future years.

» NTTC REOPENS 2042S FOR A\$70M TAP

NORTHERN TERRITORY TREASURY CORP, rated Aa2 (Moody's), tapped its 4.10% November 2042 bond for A\$70m last Tuesday, increasing the issue size to A\$225m.

UBS was sole lead manager for the reopening, which priced at 98.124 for a yield of 4.2225%, 90bp wide of the June 2039 ACGB.

NTTC raised A\$155m from the initial sale on November 3, priced at 99.689 to yield 4.12%, 95bp over ACGBs.

» WESTPAC MARKETS LOCAL AT1

WESTPAC has mandated ANZ, CBA, JP Morgan, Morgans, NAB, UBS and its own syndication team to market a potential Australian dollar ASX-listed Additional Tier 1 note offering.

Any new issue is likely to include a reinvestment offer for eligible holders of Westpac's A\$1.19bn AT1 notes due to be called on March 31.

The last Australian major bank to sell domestic AT1 notes was ANZ with last September's A\$931m ANZ Capital Notes 5.

The perpetual non-call 7.5-year (March 20 2025) floating-rate note priced 380bp wide of 90-day BBSW.

» ENBD SELLS FOURTH KANGAROO

EMIRATES NBD, rated A3/A+ (Moody's/Fitch), issued its fourth Kangaroo bond last Thursday, a A\$450m 10-year trade through joint lead managers ANZ, Nomura and Emirates NBD Capital.

The 4.75% February 9 2028s priced at 99.646 for a yield of 4.795%, inside 200bp area guidance at asset swaps plus 190bp.

The United Arab Emirates lender sold a 4.85% 10-year Kangaroo on September 28 last year, priced 200bp over asset swaps.

Last September's issue followed a A\$400m 5.75% five-year debut on April 30 2014 and a A\$450m 4.75% seven-year print on February 11 2015.

ENBD is the UAE's largest banking group in asset terms. It was formed in October 2007 with the merger of Emirates Bank and National Bank of Dubai, the nation's second and fourth largest lenders at the time.

Emirates Bank sold the Middle East's first Kangaroo bonds in November 2006 with a A\$250m dual-tranche three-year, while NBAD issued a A\$300m five-year Kangaroo in February 2013.

» SUNCORP SELLS ONE-YEAR FRN

SUNCORP-METWAY (A1/A+/A+), Australia's largest non-major bank, raised A\$200m from last Tuesday's sale of one-year floating-rate notes.

The ANZ-led issue priced in line with guidance at three-month BBSW plus 35bp.

Pricing was 5bp wider than the 30bp margin that Aa3/AA– rated (Moody's/S&P) Royal Bank of Canada, Sydney branch, paid for its US\$300m one-year FRN on January 15.

ANZ (Aa3/AA–/AA–) issued the last major bank one-year floater on November 30, a

A\$650m print priced 25bp wide of three-month BBSW.

» NEWCASTLE PRINTS SECOND FIVE-YEAR

NEWCASTLE PERMANENT BUILDING SOCIETY, rated A3/BBB (Moody's/S&P), sold a A\$225m five-year floating-rate note last Tuesday via joint leads NAB and Westpac.

The offering priced inside 145bp area guidance at three-month BBSW plus 140bp.

Newcastle previously issued a domestic five-year floater on January 17 last year with a A\$150m print priced 165bp wide of three-month BBSW.

» CCB SYDNEY TAPS 2020 LINE

CHINA CONSTRUCTION BANK, Sydney branch, rated A1/A (Moody's/S&P), tapped its November 24 2020 floating-rate note for A\$100m last Friday, lifting the issue size to A\$500m.

NAB was sole bookrunner for the increase that priced at 100.112 for a spread of three-month BBSW plus 91bp.

» SSA ISSUERS TARGET LONG END

Supranationals and agencies mostly targeted the long end of the Kangaroo market last week.

Dutch agency Bank **NEDERLANDSE GEMEENTEN** (AAA/Aaa/AA+) tapped its 3.30% July 17 2028s for A\$200m on Monday to lift the issue size to A\$630m.

Deutsche Bank and RBC Capital Markets were joint leads on the reopening, priced at 98.026 for a yield of 3.5275%, 60bp wide of asset swaps and 68.25bp over the May 2028 ACGB.

AFRICAN DEVELOPMENT BANK raised A\$360m on Tuesday from a 10.5-year bond via sole lead Daiwa. The 3.35% August 8 2028s priced at 99.737 for a yield of 3.38%, 45bp and 51.75bp wide of asset swaps and ACGBs.

ASIAN DEVELOPMENT BANK did the week's largest and tightest print on Thursday, when it issued a A\$500m 10.5-year Kangaroo with Mizuho as sole lead manager.

The 3.30% August 2028 note priced at 99.868 to yield 3.315%, 43bp and 49.5bp over asset swaps and ACGBs.

Also on Thursday, Norwegian local government funding agency **KOMMUNALBANKEN** added A\$50m to its 3.40% July 24 2028 line, taking the total outstanding to A\$250m. The tap, via sole lead RBC Capital Markets, priced at 99.433 for a yield of 3.465%, 57bp and 64.875bp wide of asset swaps and ACGBs.

On Friday, German agribusiness agency Rentenbank tapped its 3.25% April 12 2028s for A\$50m to lift the size to A\$575m.

The reopening, through *Deutsche Bank*, priced at 99.269 to yield 3.335%, 44bp and 50bp over asset swaps and ACGBs.

Further up the curve, **EXPORT DEVELOPMENT CANADA** tapped its 2.70% October 24 2022s for A\$125m on Thursday. *Nomura*, arranged the sale, which took the size of the issue to A\$1bn.

The tap priced at 99.834 for a yield of 2.7375%, 30bp wide of asset swaps and 42.25bp over the July 2022 ACGB.

› AUSNET MARKETS 10.5-YEAR ISSUE

AUSNET SERVICES HOLDINGS, rated A3/A– (Moody's S&P), has been holding investor meetings in Asia and Australia for a potential 10.5-year domestic bond issue through arrangers ANZ, CBA, NAB and *Westpac*.

The AusNet Services subsidiary, Victoria's largest energy delivery service, sold a A\$425m 4.4% 10.5-year bond on February 7 last year, priced 165bp wide of asset swaps.

› LGFV READIES NON-DEAL ROADSHOW

The **LOCAL GOVERNMENT FUNDING VEHICLE**, rated Aa2 (Moody's), has hired CBA and NAB to arrange a non-deal roadshow for investors in Sydney on February 12 and in Melbourne on February 14.

LGFV, a funding platform for local authorities in the state of Victoria, issued a A\$100m 3.64% 10-year medium-term note in June 2016, using the same two lead managers.

STRUCTURED FINANCE

› NAB SET FOR GREEN RMBS DEBUT

NATIONAL AUSTRALIA BANK has released price talk for an indicative A\$750m securitisation through National RMBS 2018-1, including the first Green RMBS tranche in Asia Pacific.

The self-led offering of Australian dollar RMBS, due to be launched this week, includes Class A1G notes, expected to be certified as climate bonds under the Climate Bonds Initiative standards.

Guidance for the standard A\$577.5m Class A1A notes and the A\$112.5m Class A1G notes, each with a weighted-average life of 3.0 years, is 88bp area over one-month BBSW.

For the A\$26.25m Class A2s, A\$17.25m Class Bs, A\$6m Class Cs, A\$5.25m Class Ds, A\$3m Class Es and A\$2.25m Class Fs, all with 5.7-year WALs, respective price talk is one-month BBSW plus 135bp area, 185bp area, 235bp area, 335bp area, 455bp area and 575bp area.

› RMBS AUCTION RAISES A\$361.6M

The **AUSTRALIAN OFFICE OF FINANCIAL MANAGEMENT** raised A\$361.6m from last Tuesday's third auction under its revamped RMBS disinvestment policy.

The AOFM sold A\$126.5m of the Apollo 2010-1 A2 notes, A\$91.3m of the Puma P-16 A3 notes, A\$81.9m of the Reds 2009-1 A1 notes, A\$13.5m of the Torrens 2010-1 A notes and A\$48.4m of the Torrens 2011-2 A2 notes.

All the notes were sold at the respective lowest accepted prices of 100.505, 100.493, 100.755, 100.460 and 100.845.

At its first revamped RMBS auction on November 23, the AOFM raised A\$394.5m from the sale of seven securities. It raised A\$439.2m from the second auction of five securities on December 14.

In May 2015, the Australian government ordered the AOFM to sell down its RMBS holdings of A\$4.6bn, in amortised face value terms, to lift its coffers and increase liquidity in these instruments.

The AOFM initially targeted monthly sales of A\$300m–\$500m in AFV terms, but, in June 2015, raised A\$160m through the first auction and, in September, sold only A\$78m.

In October 2015, the AOFM either accepted no bids or received none before cancelling planned November and December auctions and finally abandoning the initial programme in February 2016.

The AOFM, saying the auction revival reflected the improvement in RMBS market conditions, made three key changes to the process.

It now discloses a reserve price and no longer gives notice of the forward auction pipeline, while the level sold is the amount offered at or above the reserve price, subject to sufficient volume.

Between 2008 and 2013, the AOFM supported the country's mortgage market in earmarking a total of A\$20bn for purchases of non-major bank-originated RMBS, eventually buying A\$15.5bn.

SYNDICATED LOANS

› VODAFONE HUTCH GETS REFI

VODAFONE HUTCHISON AUSTRALIA, a joint venture between Britain's Vodafone Group and Hong Kong's Hutchison Telecommunications, completed a US\$3.5bn three-year refinancing at the end of November, at an all-in pricing of 90bp.

The interest margin was 80bp over Libor with a 10bp annual fee. The deal loan has two US\$1.75bn tranches, with Vodafone guaranteeing one portion and Hutchison the other.

The company has a large bank syndicate

of ANZ, Bank of America Merrill Lynch, Bank of China, Bank of Nova Scotia, BNP Paribas, Canadian Imperial Bank of Commerce, China Construction Bank, Citigroup, Credit Agricole, DBS, Deutsche Bank, Export Development Canada, Hang Seng Bank, HSBC, ING Bank, Intesa Sanpaolo, NAB, OCBC Bank, RBS, SEB, Standard Chartered, SMBC and UOB. Many lenders processed the credit in their Hong Kong or London branches due to the relationship with the two parent firms.

The new loan refinances a facility, which matured in December. The borrower was Vodafone Hutchison Finance.

› PERMIRA READIES I-MED TAKEOVER

Permira Advisers has lined up a five-year leveraged buyout loan of about A\$700m (US\$568m) from six lenders to take over X-ray services provider **I-MED**.

Underwriters *Credit Agricole*, *Goldman Sachs*, *HSBC*, *ING Bank*, *Natixis* and *SMBC* plan to launch the facility into syndication shortly. Goldman is the financial adviser.

In addition to the acquisition, the facility is also for working capital and capital expenditure. The leverage multiple is just under 4.5x Ebitda and the opening margin is in the low 400s over BBSY.

I-Med owner EQT Holdings, a Swedish private-equity firm, had pulled the sale late last year after lower-than-expected offers. Permira unveiled the sale on January 28, but did not disclose the price, which local media pegged at around A\$1.3bn.

I-Med, with over 180 clinics conducting 4m patient procedures a year, is the dominant player in Australia's diagnostic-imaging services, which benefits from government subsidies.

For the 2016 financial year, the company posted sales of A\$608m and Ebita of A\$100m. Revenue is forecast to grow in tandem with Australia's ageing population.

Morgan Stanley and *Rothschild* advised EQT on the sale.

› BEACH SEALS LATTICE ACQUISITION

BEACH ENERGY announced on Wednesday that its acquisition of Origin Energy arm Lattice had reached financial close.

The completion payment of A\$1.498bn, represented the purchase price of A\$1.585bn, minus A\$87m in adjustments. Beach paid with A\$503m in cash reserves and A\$995m drawn from a new A\$1.475bn loan. After the payment, the oil-and-gas company still has A\$135m of cash reserves and undrawn debt of A\$405m.

The loan came from lenders, led by ANZ, *Commonwealth Bank of Australia* and *Credit Suisse*.

The facility comprised a A\$475m three-year term loan tranche A, expiring on November 23 2020, a A\$475m five-year term loan tranche B, maturing on November 23 2022, a A\$450m five-year revolving credit tranche C, due on November 23 2022, and a A\$75m three-year bank guarantee facility tranche D, due on November 23 2020. Interest margins opened at 170p over BBSY for the three-year tranches and 200bp over BBSY for the five-year portions.

▶ ATLAS IRON PAYS DOWN TLB

ATLAS IRON has paid down A\$20m of a US term loan B, to less than A\$85m, to boost its balance sheet.

Atlas has been steadily paying down its A\$180m US TLB on the back of improved business performance due to higher prices for its mineral as it repositions its business and diversifies beyond iron ore.

The miner has also reached an agreement with lenders to ease restrictive loan covenants, including reducing the minimum cash balance requirement at the end of each month to A\$15m from A\$35m.

Atlas narrowly averted bankruptcy two years ago, when shareholders agreed to a debt-for-equity swap that saw 70% of the company end up in the hands of creditors.

EQUITY CAPITAL MARKETS

▶ TRANSURBAN SELLS NEW SHARES

Toll-road operator **TRANSURBAN** has raised A\$162m (US\$130m) from the sale of 13.6m new shares at A\$11.90 each, off a floor price of A\$11.40, according to a news release.

The shares that retail investors did not buy as part of their rights entitlement were sold to others through a bookbuilding process.

Macquarie, Morgan Stanley and UBS worked on the deal.

With the sale, Transurban completed the A\$1.9bn 3-for-37 entitlement offer it announced last December.

CAMBODIA

SYNDICATED LOANS

▶ ACLEDA BANK DOUBLES LOAN SIZE

Biggest Cambodian lender **ACLEDA BANK** has doubled the size of its five-year offshore loan to US\$100m, with *Shin Kong Commercial*

Bank as mandated lead arranger and bookrunner.

The loan, which pays an interest margin of 350bp over Libor and has a four-year average life, drew commitments totalling US\$120m and allocations are being finalised.

Banks have been offered an all-in pricing of 360bp, via a 40bp upfront fee. Funds are for working capital.

In February 2015, Acleda obtained a US\$70m two-year loan, made up of US\$40m from MLAB International Finance Corp and US\$30m from Sumitomo Mitsui Banking Corp.

Japan's SMBC holds an 18.25% stake in Acleda, while Cofibred, subsidiary of Paris-based Bred Banque Populaire, and Japan's Orix control 12.25% each.

CHINA

DEBT CAPITAL MARKETS

▶ POLY PRINTS US\$500M FIVE-YEAR

POLY REAL ESTATE GROUP, rated Baa2/BBB/BBB+, drew final orders of over US\$1.2bn from 59 accounts for US\$500m of US dollar senior unsecured bonds.

The Chinese property developer priced the 3.95% five-year Reg S notes at 99.426 to yield 4.078%, or Treasuries plus 155bp, the tight end of final guidance range of 155bp–160bp and well inside the initial 185bp area.

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

Asia took 92% of the notes and Europe got 8%. In terms of investor types, a combined 61% were fund managers, asset managers and sovereign wealth funds, 32% were banks, and a combined 7% were insurers, private banks and others.

The notes, with expected ratings of Baa3/BBB–/BBB+, will be issued in the name of Poly Real Estate Finance with a guarantee from Hengli (Hong Kong) Real Estate, a wholly owned subsidiary of Poly Real Estate Group.

The bonds will also have the benefit of a keepwell deed and a deed of equity interest purchase undertaking from Poly Real Estate Group.

Bank of China and *China Everbright Bank*, Hong Kong branch, were joint global coordinators on the issue, as well as joint lead managers and joint bookrunners with *Guotai Junan International*, *HSBC* and *ICBC (Asia)*.

▶ SHANSHUI WORKS ON DEBT CHANGE

Embattled **CHINA SHANSHUI CEMENT** said two holders of its US\$500m 7.50% US dollar bonds due 2020 had agreed to support its debt-rescheduling plan.

The Hong Kong-listed company, as issuer, and subsidiary guarantors of the notes entered into a rescheduling-support agreement with the pair on January 24, it said in a stock exchange filing.

The terms of the proposed rescheduling are to be finalised between the company and bondholders.

Shanshui did not reveal how much of the bonds the two own, but said it would continue to seek the support of other holders.

The outstanding amount of the 7.50% 2020s is US\$427.254m, according to Thomson Reuters data.

Shanshui defaulted on both onshore and offshore bonds in 2015 amid a power struggle among major shareholders.

Some holders of the 7.50% 2020s filed a lawsuit in the US last November to demand the repayment of principal and interest, plus related costs.

The Chinese cement producer's shares have under trading suspension since April 16 2015.

Last December, the Hong Kong stock exchange initiated a procedure to cancel Shanshui's listing if it was not able to restore a minimum public float of 25% of its issued share capital and address its audit issues by mid-2018.

▶ FUTURE LAND PRINTS 364-DAY NOTES

FUTURE LAND HOLDINGS drew final orders of over US\$1.6bn from 101 accounts for US\$300m of short-term US dollar senior unsecured bonds.

The Chinese property developer priced the 364-day notes at par to yield 4.75%, the tight end of final guidance of 4.8% (plus or minus 5bp) and 50bp tighter than the initial 5.25% area.

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

Asia took 89% of the notes and Europe got 11%. In terms of investor types, 66% were asset managers, 24% were banks, 7% were private banks, and 3% were insurers.

New Metro Global is the issuer of the Reg S unrated notes and Shanghai-listed Future Land Holdings is the guarantor.

Future Land Holdings is rated Ba3/BB– (Moody's/Fitch), both with positive outlooks.

Credit Suisse, *Haitong International*, *Guotai Junan International*, *China Citic Bank International* and *Future Land Resources Securities* were joint global coordinators, joint bookrunners and joint lead managers.

Soft market digests Cinda jumbo

■ Bonds Asset-management company compromises on size rather than forgoing window

CHINA CINDA ASSET MANAGEMENT managed to push a US\$2.5bn jumbo bond offering through a soft market by paying a premium on some tranches and emphasising its strategic importance to China's deleveraging efforts.

The A3/A- /A rated bad-debt manager, which has the Ministry of Finance and other state-owned entities as controlling shareholders, priced a US\$800m five-year at Treasuries plus 140bp, a US\$300m seven-year at Treasuries plus 170bp, a US\$1.2bn 10-year at Treasuries plus 200bp and a US\$200m 30-year at 5.1%.

The outcome was smaller than the estimated US\$3.2bn that an investor had mentioned, but a banker on the deal said the more modest size was appropriate given poor sentiment in Asian primary debt markets because of higher rates, a supply glut and tight valuations (*See News*.)

"We've seen quite a sell-off in equities and an adjustment in rate adjustments so we thought, if we wait, the market could worsen," said the banker. "Next week is also a much shorter window because of Chinese New Year. We wanted to take advantage of this time with the FOMC out of the way. Technicals are still strong."

The final pricing offered a buffer of around 5bp–10bp on the five-year and of 10bp or more on the seven and 10-year tranches, said one of the joint global coordinators, who based those calculations on curve extensions over Cinda's existing notes.

CreditSights placed fair value at Treasuries plus 165bp and 202bp,

respectively, for the seven and 10-year portions, factoring in about 5bp for the large issue size and weak market backdrop.

The report said the five and 30-year tranches came inside fair value estimates of Treasuries plus 140bp and 5.22%, respectively.

The 30-year bonds were Cinda's first at this tenor thanks to demand from life insurers who were looking for yields above 5%. Cinda's 4.45% perp non-call fives were bid at 5.0%, while Huarong Asset Management's 30-year notes were bid at 5.29%, according to Tradeweb.

The order book reached US\$16.5bn at final guidance, giving the leads the momentum to tighten final pricing by 30bp across the five, seven and 10-year tranches, and 20bp on the 30-year.

The 2023s were 2bp tighter and the remaining bonds were trading near reoffer on Friday morning. The seven-year tranche had tightened up to 10bp before widening back to reoffer.

Cinda began marketing the bonds in a challenging market. "Despite the backdrop, we thought the weak sentiment was targeted around high-yield bonds, but Cinda is a well-known issuer that people are comfortable with and is one of the two-largest AMCs," said a banker on the deal.

While S&P and Fitch initially rated the new notes on par with the issuer, Moody's has issued preliminary ratings one notch lower to reflect the absence of a guarantee from the onshore parent and the possibility that the keepwell provider may face hurdles in getting approval to send funds to the

offshore entity due to China's capital controls.

CreditSights has an underperform on Cinda as the spread pick-up between the asset management company and the big five bank seniors is at an all-time low, but the 10-year Cinda curve has widened and is now trading at a pick-up of around 80bp.

The notes will be issued off a US\$10bn MTN programme, which was been increased from US\$3bn last month.

China Cinda Finance (2017) I will issue the Reg S notes, while China Cinda (HK) Holdings will serve as guarantor. The notes also have the benefit of a keepwell and equity interest purchase and investment undertaking, and liquidity support from parent company China Cinda.

Proceeds will be used for working capital, investments and other general corporate purposes.

Bank of China, Bank of America Merrill Lynch, China Construction Bank, ICBC, Agricultural Bank of China Limited Hong Kong Branch, Mizuho Securities, BNP Paribas, DBS, Bank of Communications, CLSA, Haitong International and Cinda International were joint global coordinators.

They were also joint bookrunners and joint lead managers with *China CITIC Bank International, China International Capital Corporation, Morgan Stanley, ANZ, Industrial Bank Hong Kong Branch, HSBC, China Everbright Bank Hong Kong Branch, Standard Chartered, Wing Lung Bank, Deutsche Bank and China Merchants Securities (HK)*.

FRANCES YOON

■ ZFI PRINTS US\$200M 364-DAY NOTES

ZHONGTAI FINANCIAL INTERNATIONAL priced US\$200m of 364-day US dollar senior unsecured notes at par to yield 4.10%, slightly tighter than initial guidance of 4.25% area.

Zhongtai International Finance (BVI) is the issuer of the Reg S unrated notes with Zhongtai Financial International as guarantor. Parent company Zhongtai Securities will provide a keepwell deed.

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

Zhongtai International, Guotai Junan International and Wing Lung Bank were joint global coordinators as well as joint

bookrunners and joint lead managers with *China Industrial Securities International, Haitong International and ICBC (Asia)*.

■ CLPH PRINTS 362-DAY NOTES

CHINA LOGISTICS PROPERTY HOLDINGS, rated B2/B (Moody's/Fitch), has priced US\$100m of 362-day US dollar senior notes at par to yield 9.00%, on par with initial guidance of 9.00% area.

The Hong Kong-listed operator of Chinese logistics facilities plans to use proceeds to repay offshore debt and for general corporate purposes.

The issuer has an option to redeem the Reg S unrated notes at 101% of face value plus accrued and unpaid interest,

if able to get an offshore debt quota from China's National Development and Reform Commission and is large enough to cover the outstanding principal amount of the notes at the time of redemption.

UBS, Haitong International and Guotai Junan International were joint global coordinators, as well as joint bookrunners and joint lead managers with *AMTD, Fosun Hani and Mizuho Securities*.

■ SDH SETS UP US\$2BN MTN

SICHUAN DEVELOPMENT HOLDING has set up a US\$2bn medium-term notes programme, with *Standard Chartered Bank, CMBC Capital and BOC International* as arrangers and dealers.

State-owned SDH, the only provincial-level comprehensive investment and financing platform in south-west China's Sichuan province, will serve as direct issuer on the programme.

Subsidiary Yieldking Investment will be act as issuer of the notes, too, while Sichuan Development International Holding will be the guarantor. SDH will also provide a keepwell deed and a deed of equity interest purchase undertaking.

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

Other dealers on the programme are *Bank of China* and *Shenwan Hongyuan Securities (HK)*.

SDH has investments in transport infrastructure construction and operation, as well as media and culture, power generation and supply, hotels and tourism.

▶ HUBEI S&T HIRES FOR DOLLAR ISSUE

State-owned **HUBEI SCIENCE & TECHNOLOGY INVESTMENT GROUP**, rated Baa2/BBB+ (Moody's/Fitch), has hired banks for a proposed offering of US dollar Reg S senior unsecured notes.

Bank of China and *China International Capital Corporation* have been named joint global coordinators, as well as joint lead managers and joint bookrunners with *Societe Generale* and *Wing Lung Bank* for the offering and started meeting investors in Hong Kong and Singapore from Friday.

Wholly owned subsidiary Hubei Science & Technology Investment Group (Hong Kong) will issue the bonds and the state-owned company will be guarantor.

The bonds have expected ratings of Baa2/BBB+ (Moody's/Fitch).

The guarantor is 81.55% under the control of the Wuhan East Lake High-tech Development Zone Administrative Committee, a resident agency of the Hubei provincial government.

It supports the development of Wuhan city and the East Lake High-tech Zone in areas, such as infrastructure construction and strategic industries.

▶ GREENLAND MARKETS DOLLAR DOUBLE

Chinese property developer **GREENLAND HOLDING GROUP**, rated Ba1/BB/BB, is marketing two tranches of US dollar senior unsecured notes off its US\$3bn guaranteed MTN programme.

Initial pricing indication on a three-year piece is at 5.75% area and that on a five-year portion is at 6.375% area.

Greenland Global Investment is the issuer, while Greenland Holding Group is the guarantor.

The benchmark-sized Reg S issue, with an expected rating of Ba2 (Moody's), had yet to be priced before IFR Asia went to press.

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

Greenland Holding Group has received from the National Development and Reform Commission an offshore debt quota of US\$1bn, expiring this March, according to Nomura.

Nomura said its understanding was that the company would use the proceeds mainly to refinance two short-term bonds issued last year and maturing in May and June, respectively, for a total of US\$820m.

Nomura saw fair values on the two bonds at 5.1% for the three-year tranche and 5.7% for the five-year piece.

BOC International and *China Citic Bank International* are joint global coordinators on the issue, as well as joint bookrunners and joint lead managers with *Industrial Bank Hong Kong branch*, *China Chengtong* and *VTB Capital*.

▶ GUORUI HIRES FOR DOLLAR SENIOR

GUORUI PROPERTIES, rated B/B (S&P/Fitch), has hired banks for a proposed offering of US dollar Reg S senior unsecured bonds and has started to meet investors in Hong Kong and Singapore from Friday.

Credit Suisse, *Morgan Stanley*, *Haitong International* and *Standard Chartered Bank* are joint global coordinators, as well as joint lead managers and joint bookrunners with *Bank of America Merrill Lynch*, *BOC International*, *China Merchants Securities (HK)*, *China Securities International*, *Guotai Junan International* and *VTB Capital*.

The notes are expected to be rated B-/B (S&P/Fitch).

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

On December 4, S&P has revised the Hong Kong-listed Chinese real-estate company's B rating outlook to negative from stable. The revision reflect Guorui's weakening liquidity stemming from its larger land acquisitions last year than S&P had expected.

▶ ZHANGLONG TARGETS DOLLAR SENIOR

State-owned **FUJIAN ZHANGLONG GROUP**, rated BB+ (Fitch), has hired banks for a proposed issue of US dollar Reg S senior unsecured notes and will start related investor meetings in Singapore and Hong Kong on Monday.

CEB International is sole global coordinator, as well as joint bookrunner and joint lead manager with *Mizuho*

Securities, *China Industrial Securities International*, *China Minsheng Banking Corp*, *Chiyu Banking Corp*, *Fortune (HK) Securities*, *Guosen Securities (HK)*, *SPDB International* and *Wing Lung Bank*.

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

The notes have expected rating of BB+ (Fitch), the same as the guarantor.

Zhanglong Group, a local government financing vehicle in Zhangzhou city of China's south-eastern Fujian province, is involved in trading, water supply, real estate and construction businesses.

▶ HC INTL PLANS DOLLAR SENIOR

HC INTERNATIONAL, rated B2/B (Moody's/S&P), has hired two banks for a proposed offering of US dollar Reg S senior notes.

The Chinese B2B e-commerce operator will meet investors in Hong Kong from Monday.

Haitong International is sole global coordinator and, along with *Zhongtai International*, is joint bookrunner and joint lead manager.

The notes will be issued through wholly owned subsidiary HC Innovest Holdings with a guarantee from the Hong Kong-listed parent and certain subsidiaries of HC International incorporated outside China.

The notes have expected ratings of B2/B (Moody's/S&P).

S&P expects HC International to use the proceeds for general purposes, including debt refinancing.

HC International's ZOL (zol.com.cn) is the largest web publisher of technology-related content in China with a strong and well-recognised brand, according to S&P. The company's B2B electronic commerce platform, HC360 (hc360.com), is a distant number two in a very competitive market with a dominant player.

▶ HUAXIN HIRES TO RAISE DOLLARS

TAIZHOU HUAXIN PHARMACEUTICAL INVESTMENT, rated BB+ (Fitch), has hired banks for a proposed offering of Reg S US dollar senior unsecured notes.

BNP Paribas and *SPDB International* are joint global coordinators, as well as joint bookrunners and joint lead managers with *China Minsheng Banking* to arrange meetings with fixed-income investors in Hong Kong, which started on January 31.

The notes, with an expected BB+ rating from Fitch, will be issued in the name of Huaxin Pharmaceutical (Hong Kong)

with Taizhou Huaxin Pharmaceutical Investment as guarantor.

Last October, the Chinese pharmaceutical wholesaler and distributor issued US\$120m of 363-day US dollar unrated senior unsecured notes at par to yield 4.50%.

» SIHG MANDATES FOR DOLLAR ISSUE

SHANGRAO INVESTMENT HOLDING GROUP has hired SPDB International as sole global coordinator, along with BOC International as joint bookrunner and joint lead manager, to arrange meetings with fixed-income investors in Hong Kong, starting January 30.

A Reg S offering of US dollar senior unsecured bonds through wholly owned Shangrao Investment Holdings International, with parent SIHG as guarantor, may follow, subject to market conditions.

Parent SIHG, based at Shangrao in Jiangxi province, is an investment company with assets in urban construction, transportation, tourism, finance, automobiles, new energy, agriculture, and other businesses.

» SEVEN TO SELL OFFSHORE NOTES

Seven Chinese issuers have registered with state planning agency National Development and Reform Commission to issue offshore bonds.

The seven are CITIC GROUP, CHINA POLY GROUP, BEIJING CAPITAL GROUP, LOGAN PROPERTY HOLDINGS, SOUTHWEST SECURITIES INTERNATIONAL SECURITIES, HC INTERNATIONAL and CHANGXING FINANCIAL HOLDING GROUP, according to statements posted on NDRC's website.

Some among the seven have printed US dollar bonds recently, while others have mandated banks for meetings with investors.

Citic Group Hong Kong-listed flagship

Citic priced US\$750m of two-tranche US dollar notes on January 4, while Beijing Capital Group did the same for US\$500m of three-year US dollar bonds on January 24 as did China Poly Group property unit Poly Real Estate Group for US\$500m of five-year notes on January 29.

Meanwhile, Chinese B2B e-commerce operator HC International has hired two banks for a proposed offering of US dollar Reg S senior notes and will meet investors in Hong Kong from Monday.

Logan Property also conducted a non-deal roadshow in late January.

» CHINA BOND LICENCE FOR STANCHART

STANDARD CHARTERED BANK (CHINA) has been granted a licence to lead underwrite non-financial Panda bonds in China, becoming the second foreign bank to receive the privilege.

The People's Bank of China approved the licence, according to last Wednesday's statement from the National Association of Financial Market Institutional Investors, which regulates corporate bonds in China's interbank market.

The licence means Standard Chartered Bank's Chinese unit can now expand its activity as joint lead arranger beyond financial and sovereign Panda bonds.

HSBC Bank (China) was granted the licence last September, three months after the NAFMII started accepting applications for lead underwriting licences from foreign banks.

Foreign banks have been gaining greater access to China's bond market with the advent of Panda bonds.

Since September 2015, StanChart (China), JP Morgan Chase Bank (China), BNP Paribas (China) and Citibank (China) have been licensed to be syndicate members on corporate bond underwriting in the interbank bond market. HSBC received the same licence in 2011.

» BRIGHT OCEANS DEFAULTS ON NOTES

Privately owned BRIGHT OCEANS CORP has failed to redeem Rmb209m (US\$33.05m) notes as it embarks on a restructuring plan with a unit of China Huarong Asset Management.

The 7.1% four-year non-put two notes, listed on the Shanghai Stock Exchange, were issued in January 2016 and gave investors the right to sell them back on January 27 2018.

As of January 29, investors had registered to sell all the notes. However, the Chinese company said in a filing to the SSE that it was unable to pay a combined Rmb223.85m, including principal and interest, on the notes.

"We hope creditors give us time and space to finish the restructuring plan and we will resolve the bond default on its completion," it said.

In December, the company announced it had signed agreement with Huarong Huaqiao Asset Management, a unit of China Huarong, over the restructuring. It did not give further details.

The default had triggered cross-defaults on the issuer's three other notes with total principal of Rmb2.291bn, CICC said.

The company, based in Harbin, capital of Chinese northern province of Heilongjiang, is involved in IT, energy, resources, new materials and biochemical technology, according to its website.

Last November, United Credit Ratings downgraded the company to CC from BB after it defaulted on two loans. The agency initially assigned a AA rating to the company.

SYNDICATED LOANS

» LINGLONG TYRE SEEKS MAIDEN LOAN

SHANDONG LINGLONG TYRE is making its debut for a US\$200m-equivalent three-year term loan, with ANZ and Standard Chartered as original

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mandated lead arrangers and bookrunners.

The facility, which can be drawn in either euros or US dollars, pays an interest margin of 128bp over Libor and 118bp over Euribor, and has an average life of 2.83 years.

MLABs joining with US\$30m or more will receive an all-in pricing of 165.10bp over Libor or 155.10bp over Euribor, via a 105bp participation fee, while MLAs committing US\$20m–\$29m will obtain an all-in of 160.16bp over Libor or 150.16bp over Euribor, via a 91bp fee and lead arrangers with US\$10m–\$19m will earn an all-in of 158.04bp over Libor or 148.04bp over Euribor, via a 85bp fee.

A bank meeting will be held in Hong Kong on February 6. Commitments are due on March 9.

The borrower is Hong Kong Tiancheng Investment & Trading, while Shanghai-listed parent Shandong Linglong Tyre is the guarantor.

Funds will be used for general corporate purposes, refinancing and working capital.

› FEH BACK FOR THREE-YEAR BULLET

Financial services firm **FAR EAST HORIZON** is returning for a US\$800m-equivalent three-year bullet loan, only two months after it raised a same-sized facility.

China Construction Bank (Asia), E Sun Commercial Bank, Hong Kong branch, Fubon Financial Holding, ICBC (Asia), MUFG, Taishin International Bank, Westpac and Wing Lung Bank are mandated lead arrangers and bookrunners on the latest financing, which can be drawn in either HK or US dollars. *Bank of Communications, Macau branch*, joined as MLA.

The facility carries an interest margin of 130bp over Libor or Hibor.

Lead arrangers joining for US\$50m or more will get an all-in pricing of 155bp, via a 75bp fee, arrangers for US\$20m–\$49m will get an all-in of 150bp, via a 60bp fee and managers for US\$10m–\$19m will get an all-in of 143bp via a 39bp fee. The deadline for commitments is February 28.

The borrower's subsidiary International Far Eastern Leasing is providing a letter of comfort.

Funds are for working capital and refinancing purposes.

FEH is also in the onshore market for a Rmb1.2bn (US\$184m) three-year term loan. First Commercial Bank, Korean Development Bank, OCBC Wing Hang Bank and SMBC are MLABs on this loan, paying a margin of 105% of the PBoC rate for a 2.7-year average life. MLAs for Rmb300m or more receive an all-in pricing of 112.8% of the PBoC rate through a 100bp participation fee.

Last November, FEH completed a US\$800m-equivalent three-year bullet term loan. ANZ, CTBC Bank, DBS Bank, Nanyang Commercial Bank and UOB were MLABs of the loan, paying a top-level all-in of 158.33bp, based on an interest margin of 130bp over Libor or Hibor and a 75bp fee.

Hong Kong-listed FEH is a unit of state-owned Sinochem Group.

› SCE SEEKS REFINANCING FUNDS

CHINA SCE PROPERTY HOLDINGS is raising a US\$300m-equivalent 3.5-year term loan for refinancing purposes through mandated lead arrangers and bookrunners *Bank of China (Hong Kong), Hang Seng Bank and HSBC*.

The facility, which can be drawn in either HK or US dollars, offers an interest margin of 330bp over Libor or Hibor and has a 3.1-year average life.

Lenders are offered a top-level all-in pricing of 390bp and the lead arranger title for US\$30m and above, via an upfront fee of 186bp, or an all-in of 380bp and the arranger title for US\$15m–\$29m, via a 155bp fee. Commitments were due on February 2.

In December 2015, the borrower raised a US\$400m dual-tranche incremental facility, with Bank of China (Hong Kong), Hang Seng, HSBC and Ping An Bank as MLABs.

The Hong Kong-listed company, headquartered in Shanghai, is engaged in property development, investment and management in China.

EQUITY CAPITAL MARKETS

› PERFECT CHINA MULLS IPO IN HK

Direct selling company **PERFECT CHINA** is mulling a Hong Kong listing which could raise about US\$1.5bn, according to people familiar with the situation.

The company, which Malaysian entrepreneur Koo Yuen Kim founded, has had initial discussion with potential arrangers over the listing, targeted for as early as this year, say the people.

The company is considering the listing option and a final decision has not been made as yet, they say.

Perfect China could not be reached for comment.

Founded in 1994, Perfect China is a manufacturer and direct seller of health, cleaning and beauty products. Apart from mainland China, the company has expanded to Hong Kong, Indonesia, Malaysia, Myanmar, Singapore, Taiwan, Thailand and Vietnam, according to its website.

Perfect China is renowned for the overseas trips it organises for its top sales representatives. Last year, the company held an incentive event for 3,500 delegates in Malaysia.

› GDS COMPLETES FOLLOW-ON OFFERING

Nasdaq-listed **GDS HOLDINGS** has raised US\$286m from a follow-on share offering.

The developer and operator of data centres in China sold 11m American depositary shares (73% primary/27% secondary), upsized from the originally planned 9.5m ADS, at US\$26 each, or a discount of 8.9% to the pre-deal spot.

The book was multiple times covered with about 100 investors participating. The deal drew diverse demand from long-only investors, existing shareholders, as well as technology specialists.

STT GDC, one of GDS's major shareholders, has indicated an interest in purchasing up to 3m ADS in this offering, according to a filing.

RBC, JP Morgan and Citigroup were the joint bookrunners.

› APPROVAL FOR RIGHTS ISSUE

GUANGHUI ENERGY has received written approval from the China Securities Regulatory Commission for a proposed rights issue of up to Rmb4bn (US\$635m).

The natural gas-and-coal company plans to issue not more than 1.57bn shares on a 3-for-10 basis at a price of Rmb2.55, or a discount of 46.3% to the February 1 close of Rmb4.75.

Proceeds will be used for a liquefied natural gas project and debt repayment.

China Securities is the sponsor.

SHAANXI INTERNATIONAL TRUST will seek CSRC approval on Monday for a proposed rights issue of up to Rmb3bn. The trust company plans to offer up to 927m right shares on a 3-for-10 basis. Largest shareholder Shaanxi Coal and Chemical Industry Group, which owns 34.58% of SIT, will take up its entitlement in full.

China Securities is the sole bookrunner. Proceeds will be used for working capital.

› JIANGSU LEASING PREMARKETS IPO

JIANGSU FINANCIAL LEASING has started premarketing a Shanghai IPO of up to Rmb4bn with *Huatai United Securities* as sponsor.

The company will become only the second listed financial-leasing company in the A-share market and the first to complete an IPO, opening a potential new source of funding for the fast-growing, capital-intensive sector.

Bohai Capital, a unit of Chinese conglomerate HNA Group, went public in Shenzhen through a backdoor listing in 2011.

Jiangsu Leasing plans to sell not more than 640m shares, or about 21.4% of its enlarged company capital.

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

Proceeds will be used for working capital.

» QIHOO GETS BACKDOOR LISTING OKAY

The China Securities Regulatory Commission has approved the backdoor listing of **QIHOO 360 TECHNOLOGY** through elevator manufacturer **SJEC**, according to a company filing.

Software maker Qihoo, which delisted from the NYSE in July 2016, plans a Rmb50.42bn merger with Shanghai-listed SJEC.

If it succeeds, Qihoo will be the first former overseas-listed Chinese company to go for a backdoor listing since May 2016 when the CSRC suspended reviews of A-share relistings through reverse takeovers.

According to the company filing, SJEC plans to buy 100% of Qihoo through an asset swap and issuance of new shares. The move will see Qihoo co-founder and chairman Zhou Hongyi become the listco's controlling shareholder.

Huatai United Securities is the financial adviser.

» PING AN FILES TO LIST SPIN-OFF

PING AN INSURANCE (GROUP) has applied to spin off and list **PING AN HEALTHCARE AND TECHNOLOGY** on Hong Kong's main board, according to an exchange filing.

Ping An Healthcare, formerly known as Ping An Good Doctor, is the largest online healthcare and medical destination in China in terms of user numbers.

The company intended to raise about US\$1bn from a Hong Kong IPO as early as the first half of this year, people close to the deal told IFR earlier. *Citigroup* and *JP Morgan* are working on the float.

Following the transaction, Ping An Insurance will remain the controlling shareholder of Ping An Healthcare.

» RED STAR BLOCK BRINGS HK\$1.27BN

Private equity firm Warburg Pincus raised HK\$1.27bn (US\$162m) from a sell-down of a block of 118m shares in Chinese furniture and building materials retailer **RED STAR MACALLINE**.

The block, representing 11% of Red Star's H-share capital, was sold at

HK\$10.75 per share, the lower half of the indicative price range of HK\$10.70–\$10.86 or a discount of 6% to the pre-deal spot.

The book was around 30 times oversubscribed, with a good mix of long-only investors and hedge funds.

There is a 90-day lock-up period.

CICC was the sole placing agent.

» TWO COMPANIES SEAL PLACEMENTS

SINOPEC OILFIELD SERVICE has raised US\$1.21bn from a private placement of A-shares and H-shares.

The provider of oil-and-gas services raised Rmb4bn from the sale of 1.52bn A-shares at Rmb2.62 each to stakeholder China Petrochemical Corp (Rmb3.93bn) and a senior executive share scheme (Rmb60.65m). The placement price represents a discount of 13% to the pre-deal spot.

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

Sinopec Oilfield also raised HK\$4.48bn from a private placement of 3.32bn H-shares at HK\$1.35 to Century Bright (HK\$3.51bn) and China Structural Reform Fund (HK\$971m).

Century Bright, a subsidiary of CPC, will face a 36-month lock-up period.

Proceeds will be used for working capital.

CICC was the sponsor and joint bookrunner with *Guotai Junan Securities*, *Citic Securities* and *Zhong De Securities*. CICC, *Deutsche Bank*, *Guotai Junan Securities* and *CLSA* were joint placing agents for the H-share tranche.

SHENWAN HONGYUAN GROUP raised Rmb12bn from a private placement of 2.48bn shares to four investors at Rmb4.84 each, or a discount of 10.4% to the pre-deal spot.

The group will use up to Rmb10bn of the proceeds as capital for subsidiary Shenwan Hongyuan Securities and the rest as working capital for its asset management and investment arms.

Huatai United Securities and *Shenwan Hongyuan Financing Services* were joint sponsors on the placement.

» SHANGRI-LA BLOCK BRINGS HK\$1.05BN

An undisclosed institutional vendor has raised HK\$1.05bn through a block trade in Hong Kong-listed **SHANGRI-LA ASIA**.

The block of 57m shares, or 1.6% of the existing company capital, was sold at the bottom of the indicative price range of HK\$18.50–\$18.80, or at a discount of 7.0% to the pre-deal spot.

The book was multiple times covered. The top 10 investors got about two-thirds of the allocation.

There is a 60-day lock-up on the vendor. *Morgan Stanley* was the sole bookrunner.

» TIMES SELL-OFF BRINGS HK\$833M

Schiavona Investment has raised HK\$833m from the sell-off of its stake in **TIMES PROPERTY HOLDINGS**.

The clean-up trade, involving 90m shares, was marketed at an indicative price range of HK\$9.25–\$9.65.

The shares were sold at the bottom of the range, representing a discount of 9.7% to the pre-deal spot.

The book was multiple times covered with a good mix of investors, including long-only investors and hedge funds.

UBS was the sole bookrunner.

» ZTE SETS PLACEMENT FLOOR PRICE

ZTE has set a floor price of Rmb30 per A-share for a proposed private placement of up to Rmb13bn, says the Chinese telecom equipment maker's filing.

The floor is at a premium of 7.1% to the February 1 close of Rmb28.01.

The company, listed in Hong Kong and Shenzhen, plans to issue not more than 687m A-shares.

Proceeds will be used for research and product development related to 5G networks and for working capital.

Shareholders will review the proposal on March 28.

» BURGER KING OPERATOR PLANS US IPO

TFI TAB FOOD INVESTMENTS, which operates Burger King and other fast food restaurants in Turkey and China, has opened books for a Nasdaq IPO of up to US\$242m.

The company is selling 22m ADS (80% secondary) at an indicative price range of US\$9–\$11 each.

Yurdanur Kurdoglu, ATA Holding, ELQ Investors VIII, European Bank for Reconstruction and Development and Clouse are selling shareholders.

Pricing is slated for February 6.

TFI TAB operates over 1,700 restaurants and has more than 28,500 employees, according to its website. It says it is the largest Burger King franchisee worldwide. Other brands in its portfolio include Sbarro, Popeyes, Arby's and Usta Dönerci.

Morgan Stanley, *Credit Suisse* and *Goldman Sachs* are active bookrunners.

» HUAMI SHAPES UP FOR NYSE IPO

HUAMI, a maker of fitness trackers for Chinese smartphone company Xiaomi, has started bookbuilding for a NYSE IPO of up to US\$120m.

Powerlong issues short-dated CB

■ Bonds Property developer sees book covered quickly after launch

POWERLONG REAL ESTATE has raised HK\$1.99bn (US\$255m) from a short-dated convertible bond, according to an announcement from the Chinese property developer.

The issue was launched at a base size of HK\$1.6bn with an option for a size increase of HK\$390m, which was fully exercised.

The book was covered quickly after launch and was multiple times oversubscribed in the end, even though Future Land launched its HK\$2.35bn CB on the same day on January 29.

Bankers reckon the stock rally in the property sector was one of the key reasons for the recent rush of CB offerings from Chinese developers.

Since the start of this year, the Hang Seng Mainland Properties Index has risen about 17% as at January 31.

"The stock rally has boosted investor

enthusiasm for CBs from the property sector, because it offers a chance for investors to get stock-like returns at lower risks," said a senior equity-linked banker.

According to the banker, Chinese brokerages and fund companies are very active in such transactions.

In the past few weeks, there has been a rising trend for Chinese property developers to issue short-dated CBs, a relatively new product in Asia.

Compared to long-term ones, short-term CBs is more convenient to offer, which is a big advantage to seize good issuance window and to get ahead of competitors.

"Some property developers still need time to get regulatory approval for new quotas to issue bonds. So, the short-dated CB allows them to raise funds quickly and

to have a first-mover advantage," said the banker.

Based on Chinese rules, bonds with maturities under one year do not need to be registered with China's National Development and Reform Commission.

Powerlong's CB has a maturity of 363 days.

The zero-coupon CB was priced at a yield to maturity of 2.75%, the top of a marketed range of 2.00%–2.75%. The conversion premium was set at 23.50%, the lower half of the 22.50%–30.00% range over the reference price of HK\$4.41. The initial conversion price is HK\$5.4463.

Proceeds will be used for repayment of debts and for working capital.

Bank of America Merrill Lynch, Credit Suisse, HSBC and UBS were the joint bookrunners. **KEN WANG, FIONA LAU**

The company is selling 10m American depositary shares at an indicative price range of US\$10–\$12.

Pricing is slated for February 7.

Huami was founded in 2014 and is headquartered in Beijing. It manufactures under the Mi brand for Xiaomi and under its own Amazfit brand.

Xiaomi has invested in Huami, as has Shunwei Capital. Shunwei is a venture capital firm 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.

Credit Suisse, Citigroup and China Renaissance are joint bookrunners.

► PAIR RAISES EQUITY-LINKED FUNDS

ZHEJIANG ENERGY GROUP raised Rmb7.9bn from a private placement of three-year exchangeable bonds in **ZHEJIANG ZHENENG ELECTRIC POWER**.

The placement was launched at a base size of Rmb5bn, with an option for a size increase of Rmb2.9bn, which was fully exercised.

The coupon was set at 1%. The initial conversion price was set at Rmb5.90, a premium of 0.2% to the pre-deal spot.

Zhejiang Energy holds 9.51bn Zhejiang Zheneng shares, or 69.94% of the company's total issued capital.

CICC and Citic Securities were joint bookrunners.

WUXI RURAL COMMERCIAL BANK raised Rmb3bn from an offering of six-year convertible bonds, with the public tranche covered 532 times.

Existing shareholders took about 37.1% of the CBs, while the rest were sold to retail investors.

The coupon for the CB is 0.3% in year one, stepping up to 1.8% in year six. The initial conversion price is Rmb8.90, flat to the pre-deal spot.

The unsecured CB received a AA+ rating from United Ratings.

The Jiangsu-based lender plans to use the proceeds to strengthen Core Tier 1 capital.

China Securities was the sponsor.

► HAN'S LASER READIES CB ISSUE

HAN'S LASER TECHNOLOGY INDUSTRY GROUP will hold an internet roadshow on Monday and start bookbuilding the next day for a Rmb2.3bn six-year convertible bond.

The coupon for the proposed CB is 0.20% in year one, stepping up to 2.00% in year six. The initial conversion price has been set at Rmb52.70, or at a premium of 7.6% to the February 1 close of Rmb48.96. The unsecured CB received a AA+ rating from Dagong Global.

The Chinese manufacturer of laser and automatic auxiliary equipment plans to use the proceeds for production projects.

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

► FUTURE LAND SELLS CB

FUTURE LAND DEVELOPMENT HOLDINGS raised HK\$2.35bn from a short-term convertible bond, said a person with knowledge of the sale.

The issue comprised a base size of HK\$1.96bn and an option for a size increase of HK\$390m, which was fully exercised.

The coupon on the CB was fixed at 2.25% payable semi-annually, off a 1.50%–2.50% range, and the conversion premium came at the top of the 25%–28% range over the reference price of HK\$8.20.

The CB 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.

Books were multiple times covered with the participation of over 70 accounts.

There is a 90-day lock up on the issuer and shareholders Wang Zhenhua and Wealth Zone Hong Kong Investments.

On January 18, Future Land raised HK\$1.56bn from a top-up placement at HK\$5.86 a share. There was a 90-day lock-up on the issuer and the top-up placement vendor. So, the launch of the CB suggests the lock-up had been waived.

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

Citigroup and Deutsche Bank were joint bookrunners on the placement, as well as bookrunners.



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HONG KONG

SYNDICATED LOANS

› TWO BACK AFFINITY'S TRIMCO BUYOUT

Two banks are providing debt financing for Affinity Equity Partners to buy a majority stake in garment label-maker **TRIMCO**

INTERNATIONAL HOLDINGS.

Cathay United Bank and *CTBC Bank* have come up with a five-year amortising loan of around US\$100m–\$150m.

The senior debt represents leverage of around 2x–3x.

Affinity agreed to acquire the majority stake in Hong Kong-headquartered Trimco for US\$520m from Partners Group earlier this month.

Partners Group purchased the stake in Trimco in 2012 from another private-equity firm, Navis Capital Partners. At the time, it had taken a US\$55m senior loan from four Taiwanese banks.

CTBC was the sole facility and security agent, mandated lead arranger and bookrunner. Ta Chong Bank, Taipei Fubon Commercial Bank and Taishin International Bank joined in July to share the MLA title.

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

Trimco was founded in Hong Kong and serves garment manufacturers in China, India and South-East Asia.

INDIA

DEBT CAPITAL MARKETS

› YES BANK DRAWS US\$1.1BN ORDER BOOK

YES BANK, rated Baa3 (Moody's), has priced US\$600m of five-year bonds at Treasuries plus 130bp on the back of US\$1.1bn in orders from 90 accounts.

Asia accounted for 58% of the notes, EMEA for 41% and offshore US accounts for 1%.

In terms of investor types, the biggest buyers were funds at 46%, with banks next at 38% and then insurers at 11% and private banks at 5%.

Marketing began last Monday at Treasuries plus 150bp area. The bonds are being issued via banking unit International Financial Services Centre.

The Indian bank hired *Bank of America Merrill Lynch*, *CLSA*, *HSBC*, *JP Morgan*, *Nomura*,

Standard Chartered and its own syndication team as joint bookrunners and lead managers on the offering.

The senior unsecured benchmark paper will be issued off a US\$1bn EMTN programme.

› IFC TAPS MASALAS FOR RS5.5BN

INTERNATIONAL FINANCE CORP has reopened its Masala bonds maturing in November 2024 for a Rs5.5bn (US\$85m) tap.

IFC has yet to announce the yield on the new offshore rupee notes.

The 2024 notes trade at a yield of 6.49%, according to Thomson Reuters data.

TD Securities was the arranger.

The outstanding size of the November 2024 Masalas has increased to Rs54.37bn following the tap.

"The rupee has become a popular currency and is well accepted by the global investor base," said a source. "There is reasonable demand for Masala bonds across Asia, Europe and the US."

The bonds of the World Bank affiliate are rated Aaa/AAA (Moody's/S&P), both with stable outlooks.

› INDIABULLS SELLS THREE-YEAR MASALAS

INDIABULLS HOUSING FINANCE has raised Rs3.15bn from three-year Masala bonds at 7.8%, according to a release to exchanges.

HSBC was the sole arranger on the offering.

The notes will be issued under a EMTN programme set up earlier this month.

"There is good demand for Masala notes because of the lack of supply in the market," said a source. "We should see more issuers tap the Masala bond market in the coming weeks."

Indian Renewable Energy Development Agency was the last Indian issuer to print Masala bonds last September, when it raised Rs19.5bn from five-year Green Masalas at 7.23%.

The proceeds from the Indiabulls issue will be for affordable housing under the social bond principles of the International Capital Market Association.

Indiabulls has also mandated *Barclays*, *Citigroup*, *Credit Suisse*, *HSBC*, *MUFG Securities* and *Yes Bank* to sell five-year Masala bonds, subject to market conditions, according to sources.

The issuer recently received approval from the Reserve Bank of India to sell Masala bonds of up to US\$50m at a minimum three-year tenor and US\$700m at a minimum five-year tenor.

In September 2017, Indiabulls raised Rs13.3bn from three-year Masala notes at 8.567%.

› UIIC RAISES RS9BN ON DEBUT

UNITED INDIA INSURANCE (UIIC) has raised Rs9bn from maiden 10-year non-call five subordinated bonds at 8.25%, according to market sources.

"The issue was kept open for two days because of tepid demand. Life Insurance Corporation of India picked up half of the subordinated bonds," said a source.

Crisil and Brickwork Ratings assigned AAA (stable) ratings to UIIC's subordinated debt.

UIIC has yet to make an official announcement on the price and size of the offering.

SYNDICATED LOANS

› INDIABULLS BACK FOR US\$200M REFI

INDIABULLS HOUSING FINANCE has returned for a five-year refinancing loan of up to US\$200m with *MUFG* and *State Bank of India* as mandated lead arrangers and bookrunners.

The financing pays an interest margin of 120bp over Libor and has an average life of 3.56 years.

Lenders get a top-level all-in pricing of 143bp and the lead arranger title for US\$20m–\$29m, via a participation fee of 82bp, or an all-in of 138bp and the arranger title for US\$10m–\$19m, via a 64bp fee, or an all-in of 133bp and the manager title for US\$5m–\$9m, via a 46bp fee.

The deadline for responses is March 2. Roadshows will be held in Taipei on February 5 and Singapore on February 6.

Funds will be used to refinance a like-sized five-year maiden loan completed in August 2016. Barclays was sole MLAB of the facility, which drew eight others in general syndication. That loan paid a top-level all-in of 220bp, based on an interest margin of 200bp over Libor.

The borrower previously raised a US\$150m dual-tranche term loan last March. ANZ, Barclays and Sumitomo Mitsui Trust Banking were MLABs of the loan, comprising a US\$125m dollar tranche and a US\$25m-equivalent yen portion. The dollar portion offered a top-level all-in of 180bp, based on an interest margin of 155bp over Libor, while the yen piece offered a top-level all-in of 100bp, based on a margin of 75bp over Libor. The loan has a remaining life of 3.1 years.

The borrower is India's second-largest private-sector housing finance firm, according to its website.

› REC SENDS RFP FOR US\$400M

State-owned **RURAL ELECTRIFICATION CORPORATION** has sent out a request for proposals for

a US\$400m three-year financing to meet general corporate needs.

REC last signed a US\$200m five-year bilateral with State Bank of India in July 2017.

Last March, REC raised a US\$230m five-year syndicated facility. ANZ, MUFG and Mizuho Bank were mandated lead arrangers, bookrunners and underwriters on the facility, which drew 17 other lenders in general syndication. The bullet loan offered a top-level all-in pricing of 132bp, based on an interest margin of 80bp over Libor.

» PFC SEEKS FRESH FACILITY

POWER FINANCE CORPORATION has put out a request for proposals for a US\$250m five-year loan, though the state-owned company is still out for a US\$300m bullet of a similar tenor.

The borrower sent the RFP on January 25. Funds will be used for general corporate purposes.

PFC launched its US\$300m financing into general syndication in mid-January. MUFG, Mizuho Bank and State Bank of India are the mandated lead arrangers and bookrunners on the loan, which pays a top-level all-in pricing of 100bp, based on an interest margin of 70bp and has a 4.5-year remaining life.

The borrower last raised foreign-currency debt in November 2015 when it signed a US\$360m-equivalent yen bilateral loan with SBI.

» HPCL EXTENDS RFP DEADLINE

HINDUSTAN PETROLEUM CORP has extended to February 9 the deadline for its request for proposals for a US\$300m refinancing loan.

The new deadline is a week later than the original one. The state-owned oil company is open to tenors of two to three years.

In November, HPCL took the bilateral route for a US\$200m one-year financing. MUFG provided that loan.

EQUITY CAPITAL MARKETS

» BANK OF BARODA HIRES FOR QIP

State-owned **BANK OF BARODA** has hired *Axis, BoB Capital Markets, Citigroup, Credit Suisse, JM Financial* and *Kotak* to manage a qualified institutional placement of shares to raise Rs30bn–Rs50bn (US\$472m–\$787m), according to people familiar with the plan.

The QIP is likely happen before the end of March.

BoB and its state-owned peers, under pressure from rising bad-loan provisions, are selling shares to shore up capital.

Bank of Maharashtra, Punjab National Bank, Syndicate Bank and Union Bank of India sold shares to raise a combined Rs84bn last year, while Andhra Bank, Canara Bank, Corporation Bank and Indian Bank have also unveiled plans to sell equity for a total of Rs110bn.

» TRIO SELLS 5M QUESS SHARES

Three shareholders have sold 5m **QUESS** shares to raise Rs4.75bn at Rs950 each, below an indicative range of Rs1,000–Rs1,025, according to people with knowledge of the disposal.

The final price represents a discount of 8.9% to the pre-deal close of Rs1,042.90 on the National Stock Exchange.

The 5m shares represent 3.45% of the company's capital.

There is a 30-day lock-up on sellers Manipal Integrated Services, Ramdas Madhava Pai and Vasanthi Ramdas Pai.

Deutsche Bank was the sole bookrunner.

» JM FIN PLACEMENT RAISES RS6.5BN

JM FINANCIAL has raised Rs6.5bn through a qualified institutional placement of shares priced at Rs162 each, according to a person with knowledge of the deal.

The indicative price was at a 0.03% discount to the pre-deal close of Rs162.05.

Around 40.1m shares, or 5.03% of the current company capital, were sold in the QIP, which saw 25 investors participate.

Credit Suisse and *IDFC Bank* were the bookrunners.

The funds will be used to support the company's capital needs.

There is a 60-day lock-up on the issuer and the controlling shareholders.

S ANURADHA

» FLEMINGO TARGETS JUNE IPO

Retailer **FLEMINGO DUTY FREE** aims to launch a Rs20bn–Rs25bn domestic IPO in June, people with knowledge of the transaction have said.

The company plans to file the prospectus with the Securities and Exchange Board of India next month.

Flemingo runs duty free shops at airports in India, Sri Lanka and Africa.

Samena Capital Group, Cartesian

Group, Samara Capital, Albright Capital Management and CDIB Capital International are among the investors in the company, founded in 1997.

Axis, Credit Suisse, HSBC, ICICI Securities and *Yes Securities* are leads on the IPO.

» PLAN FOR MEGA INSURANCE IPO

The Indian government sees a possible mega IPO of a state-owned insurance giant after announcing plans to merge three general insurers under its control.

The plan is to merge **ORIENTAL INSURANCE, NATIONAL INSURANCE** and **UNITED INDIA INSURANCE** before seeking a listing.

Last year, state-owned **GENERAL INSURANCE CORP OF INDIA** raised Rs114bn through its IPO and **THE NEW INDIA ASSURANCE** raised Rs96bn from its float. Both trade well below their respective IPO prices.

"After the performances of the NIA and GIC, it will be hard to sell yet another state-owned insurer," said an ECM banker. "A larger company with better economies of scale has a better chance."

The government made the merger and listing announcement at its annual budget on Thursday, but did not indicate the timeframe for the IPO.

The Indian government has set a privatisation target for the fiscal year 2018–2019 at Rs800bn versus the revised Rs1trn target for 2017–2018. The original privatisation target for 2017–2018 was Rs725bn.

So far, it has sold shares to raise Rs925bn and has until March 31 to reach the increased target.

The government is targeting record privatisation proceeds for 2017–2018 through capital market share sales and strategic sales. One such strategic sale was that of its 51.11% stake in Hindustan Petroleum to ONGC for Rs369bn.

Typically, the Indian government has fallen short of its privatisation targets.

» LODHA TO FILE FOR IPO THIS MONTH

LODHA DEVELOPERS plans to file the draft prospectus for a US\$700m–\$1bn IPO later this month and is targeting a launch in the second quarter, people with knowledge of the transaction have said.

Citic CLSA, JM Financial, Kotak and *Morgan Stanley* are the bookrunners.

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

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

According to the company's website, it is currently developing an estimated 43m sq ft of real estate and has 28 ongoing projects across London, Mumbai, Pune, Hyderabad and Bangalore.

INDONESIA

DEBT CAPITAL MARKETS

› SULFINDO ADIUSAHA HIRES FOR DOLLARS

SULFINDO ADIUSAHA hired two banks to arrange meetings with fixed-income investors in Hong Kong, Singapore and London, starting January 30.

The Indonesian chlor-alkali producer, rated B2/B (Moody's/Fitch), named *BNP Paribas* and *Credit Suisse* as joint bookrunners and joint lead managers.

A Reg S offering of US dollar notes may follow, subject to market conditions.

› WASKITA KARYA SELLS DUAL-TRANCHER

WASKITA KARYA has raised Rp3.44trn (US\$256m) from a dual-tranche offering of rupiah bonds, according to a market source.

The Indonesian construction company raised Rp1.17trn from a three-year tranche at 7.75% and Rp2.27trn from a five-year piece at 8.25%.

"The issue was upsized from a target of Rp3trn on the back of good demand from pension funds and insurance companies," said the source.

Pay-in will take place on February 20.

Bahana, Bank Negara Indonesia, Danareksa, DBS Vickers, Indo Premier and *Mandiri* are lead arrangers on the issue, which Pefindo rates A–.

Last September, Waskita Karya raised Rp3trn from rupiah bonds of three and five years at 8.0% and 8.5%, respectively.

› PLN SELLS FIVE-TRANCHER

PERUSAHAAN LISTRIK NEGARA has raised Rp3.23trn from a public issue of five-part bonds, according to a market source.

The Indonesian power utility sold Rp2.53trn of rupiah paper and Rp700bn of Islamic bonds.

Both pieces were priced at 6.5% for five-year, 6.8% for seven-year, 7.25% for 10-year, 8.2% for 15-year and 8.75% for 20-year tranches.

There was good demand for the notes from banks, pension funds and insurers.

Bahana Sekuritas, Danareksa Sekuritas, Indo Premier Securities and *Mandiri Sekuritas* were lead arrangers on the issue, which has a AAA Pefindo rating.

Separately, PLN is exploring a Komodo issue to raise funds after *Jasa Marga* and *Wijaya Karya* successfully raised a total of Rp9.4trn from offshore rupiah bonds.

Last October, PLN sold Rp3.3trn of rupiah bonds in four tranches.

› BFI FI PLANS TRIPLE-TRANCHER

BFI FINANCE INDONESIA plans to raise Rp500bn from the sale of triple-tranche rupiah bonds, according to a market source.

The consumer finance firm has put out price guidance ranges of 6.25%–6.40% for a 370-day, 7.00%–7.25% for a two-year and 7.35%–7.60% for a three-year.

Bookbuilding began on January 25 and closes on February 7.

The pay-in will take place on March 5.

Danareksa, DBS Vickers Sekuritas, Mandiri Sekuritas and *Trimegah Sekuritas* are lead arrangers on the issue.

The notes have a AA– local rating from Fitch.

JAPAN

DEBT CAPITAL MARKETS

› CHINA EASTERN AIR FILES TO PRO-BOND

CHINA EASTERN AIRLINES has filed programme information to the Tokyo Pro-bond market.

Under the programme, the airline company can issue bonds up to ¥50bn (US\$457m).

The scheduled issuance period is from February 2 2018 to February 1 2019.

The Pro-bond market is a market for professional investors and has lighter disclosure requirements for issuers than the Samurai market, such as accepting English documentation.

SYNDICATED LOANS

› MIZUHO ARRANGES HYBRID FOR HULIC

Mizuho Bank was the mandated lead arranger of a ¥100bn (US\$916m) 35-year hybrid loan for **HULIC**, which was signed on January 26, a source said.

Development Bank of Japan also joined in syndication.

The interest margin of the facility, which was the first hybrid loan in Japan this year, will step up by 100bp after five years. The initial margin was not disclosed.

Japan Credit Rating Agency assigned a rating of A– and 50% equity treatment to the borrowing.

An initial drawdown of ¥60bn will take place on March 30 with the remainder on June 29. Funds are to boost HULIC's financial base.

On January 19, HULIC raised ¥50bn from 35-year non-call five subordinated bonds,

which carry a 0.99% coupon for the first five years before stepping up to 187bp over the six-month yen Libor thereafter.

The Tokyo Stock Exchange-listed borrower provides real-estate leasing and property development services.

› JOGMEC RETURNS FOR BULLET

JAPAN OIL GAS & METALS NATIONAL (Jogmec) is seeking a ¥36.818bn one-year bullet term loan, four months after its previous facility.

The interest rate of the government-guaranteed loan will be determined in conventional auctions with bids for pricing due on February 13. *Mizuho Bank* is the agent.

Drawdown is slated for February 28. Proceeds are for operating funds.

In September 2017, the borrower obtained a ¥21.203bn one-year term loan at zero interest following heavy oversubscription from lenders, such as regional banks.

› TOKUYAMA REPAYS BEFORE MATURITY

TOKUYAMA has repaid two syndicated loans before maturity because the chemicals maker is performing better.

The Yamaguchi-based company said on Monday it repaid a ¥7.5bn 10-year term loan MUFG arranged in July 2012 and a ¥20bn 12.5-year term loan Development Bank of Japan arranged in December 2011.

On Wednesday, the company announced its operating profit for the nine months to December 31 grew 6.6% year on year to ¥30.15bn.

› SAMTY SIGNS BULLETS OF ¥17.9BN

SAMTY RESIDENTIAL INVESTMENT CORP has announced the completion of two bullet term loans of a combined ¥17.9bn.

The Tokyo Stock Exchange-listed REIT signed on Monday a ¥2.5bn five-year bullet term loan for refinancing and, a day later, a ¥15.4bn bullet term loan for real-estate acquisitions.

The ¥2.5bn loan is split into a ¥2.35bn piece, with a margin of 80bp over one-month Tibor, and a ¥150m portion with a fixed interest rate of 1.09917%. Funds were drawn last Wednesday.

The ¥15.4bn loan comprises a ¥3.2bn 3.5-year, with a margin of 60bp over one-month Tibor, a ¥5.35bn four-year, with a margin of 65bp over one-month Tibor, a ¥5.35bn 4.5-year, with a fixed interest rate of 0.99460%, and a ¥1.5bn seven-year, with a fixed interest rate of 1.47558%. Funds were drawn last Thursday.

Bank of Fukuoka and *SMBC* were mandated lead arrangers, while *Aozora Bank, Ashikaga*

Bank, Chiba Bank, Dai-ichi Life Insurance, Fukuoka Mutual Life Insurance, Higo Bank, Hiroshima Bank, Hyakugo Bank, Kagawa Bank, Kagoshima Bank, Kumamoto Bank, Mie Bank, Minato Bank, Oita Bank, Resona Bank, Shinsei Bank, Shinwa Bank, Shizuoka Bank and Tochigi Bank joined in syndication.

In July 2016, the borrower obtained a ¥11.2bn loan to buy real estate, also through arrangers Bank of Fukuoka and SMBC.

Samty, established in March 2015, invests in residential assets in Japanese cities.

MCUBS MIDCITY RAISES BULLET

MCUBS MIDCITY INVESTMENT signed last Monday a ¥11bn bullet term loan for real estate acquisitions, the Tokyo Stock Exchange-listed REIT said.

The loan comprises a ¥2.7bn eight-year fixed interest rate tranche, a ¥1.2bn seven-year fixed interest rate tranche, a ¥2.7bn seven-year fixed interest rate tranche, a ¥2.4bn five-year tranche with a margin of 30bp over three-month Tibor and a ¥2bn one-year tranche with a margin of 17bp over one-month Tibor. The interest rates are yet to be determined.

Mizuho Bank was the arranger, while Aozora Bank, Bank of Fukuoka, Development Bank of Japan, MUFG, Nishi-Nippon City Bank, SMBC and Sumitomo Mitsui Trust Bank joined in syndication.

Funds, to be drawn on February 28, are to buy four office buildings.

In August, the borrower extended the tenor of its ¥15bn commitment line, arranged by Mizuho, to four from three years.

DUO ARRANGES SOLAR PLANT PF

Mizuho Bank and Eighteenth Bank are arranging a project financing to develop the 480MW Ukujima mega solar plant at an estimated cost of about ¥200bn (US\$1.8bn).

Last December, Kyocera, Kyudenko, Thailand's SPCG, Tokyo Century, Furukawa Electric and Tsuboi set up special-purpose vehicle UKUJIMA FUTURE ENERGY GK to build and operate the plant in Nagasaki prefecture's Ukujima island.

Germany's Photovolt Development Partners, which had originally planned the project in April 2013, withdrew from the consortium.

Construction is scheduled to start in the fiscal year running from April 2018 to March 2019. Power generated from the plant will be sold to Kyushu Electric Power via a 64km undersea cable.

DOWA RAISES US\$225M FOR MINE

Japan Bank for International Cooperation and Mizuho Bank signed a US\$225m loan on

Wednesday for DOWA METALS & MINING, a unit of Dowa Holdings, to back its Los Gatos project in Mexico.

JBIC is providing US\$135m of the loan, while Mizuho is coming up with the remainder.

Dowa will use the funds to develop a silver and zinc mine in Los Gatos, southern Chihuahua, via Minera Plata Real S de RL de CV, a Mexican joint venture of Dowa and US-based Sunshine Silver Mining & Refining Corp.

MACAU

SYNDICATED LOANS

VENETIAN BETS ON NEW FUNDS

Gaming giant VENETIAN MACAU is seeking a new US\$1.465bn six-year term loan, as well as an amendment and extension of existing loans of US\$6.35bn, in a repeat of similar exercises in previous years.

Venetian Macau will use US\$215m of the new loan to repay before end-September the principal of a US\$4.35bn term loan that forms part of the existing debt.

The company is looking to extend the tenor of the US\$4.35bn term loan to match the new facility to September 30 2024 from 2022 and a US\$2bn revolving credit to March 31 2024 from 2020. Lenders agreeing to amend and extend receive a 50bp fee.

The interest margin on the new term loan ranges from 125bp to 212.5bp over Libor, based on the borrower's leverage ratio. The current margin is 175bp.

Lenders can join the US\$1.465bn six-year term loan at five ticket levels in general syndication.

Global coordinators or lead arrangers committing US\$200m or more, US\$150m–\$199, or US\$100m–\$149m will earn upfront fees of 145bp, 130bp or 115bp, respectively, while senior managers joining with US\$50m–\$99m receive a 100bp fee and managers coming in with under US\$50m will receive a 90bp fee. Commitments are due on February 8.

The new loan has already received total commitments of over US\$3bn. The term loan can be funded in Hong Kong dollars, Macau patacas or US dollars.

Funds will also go towards renovating and rebranding Sands Cotai Central, the casino resort that opened in April 2012.

The borrower on the new term loan is VML US FINANCE, while Sands China units Venetian Macau, Venetian Orient and Venetian Cotai are providing guarantees.

In August 2016, Venetian Macau US Finance raised a US\$6.385bn dual-tranche club, split into a US\$4.385bn six-year term loan and a US\$2bn four-year revolver.

MALAYSIA

DEBT CAPITAL MARKETS

SAJ PRINTS M\$650M SUKUK

Malaysia's SAJ CAPITAL raised M\$650m (US\$170.3m) from the sale of 11-tranche Islamic bonds for proceeds to settle debt and meet general corporate needs.

The sukuk were issued under the murabahah format. Of the 11 tranches, the M\$40m shortest-dated piece of two years paid 5.07%, while the M\$90m longest-dated piece of 12 years paid 5.67%.

Ultimate parent Ranhill Holdings, a provider of power and environment services, is guarantor of the sukuk. The issuer was set up as a funding vehicle for immediate parent Ranhill Capital.

CIMB Investment Bank was sole lead arranger on the sukuk, which Marc rated AA–. The notes settled on January 26.

MEDINI PLANS FEBRUARY SUKUK

MEDINI ISKANDAR MALAYSIA aims to raise M\$300m with its first issue off a new M\$1.5bn sukuk murabahah programme.

Maybank and RHB are joint principal advisers and joint lead arrangers on the programme and will be joint lead managers on the first issue.

The Islamic notes have a RAM rating of AA3 to reflect Medini's status as a government-linked entity. Sovereign wealth fund Khazanah Nasional has a 52% stake in Medini Iskandar, which holds the rights to build a 2,230-acre township in Iskandar Puteri in Johor.

The sukuk will be secured against assets with a minimum market value of 1.67x the sum of any outstanding notes.

EQUITY CAPITAL MARKETS

SETIA PLACEMENT BRINGS M\$1.01BN

Real-estate company SP SETIA has raised M\$1.01bn (US\$259m) from the sale of 325m shares at the top of a M\$3.07–\$3.11 price range, according to a person with knowledge of the transaction.

The final price implied a 4.3% discount to the pre-deal close of M\$3.25.

MRCB investors cross fingers

■ Bonds Concerns grow over issuer's ability to meet June payment obligations

Bondholders of **MRCB SOUTHERN LINK** are closely monitoring discussions between the funding vehicle for a toll road in the Malaysian state of Johor and the federal government over the latter's potential takeover of the 8.62-km Eastern Dispersal Link (EDL).

Investors holding M\$1.044bn (US\$271.7m) of Islamic bonds fret that MRCB Southern Link may not be able to meet payments due in June following the abolition of toll collections on the expressway on January 1 on the government's orders.

In December, MRCB announced it had received a letter from the Ministry of Works to begin negotiations on the mutual termination agreement of the EDL concession, held by MRCB Lingkar Selatan. No details have been released as yet.

The bonds comprise M\$845m in senior Islamic bonds and M\$199m in junior Islamic bonds. Principal payments of M\$35m and interest of M\$30m are due in June. With cash balances of only M\$17.45m, MRCB Southern Link may have to dip into a finance service reserve account bank-guarantee facility of M\$59.35m to avoid default.

On January 17, RAM put the senior sukuk's

BB3 rating on rating watch with a negative outlook.

"Should negotiations on a final settlement be prolonged and without shareholder support or any other external liquidity support thereafter, the rating of the senior sukuk is expected to be downgraded in anticipation of a potential default by the end of this year," said the RAM note.

This is the second time that the government had considered acquiring the project. In 2012, after it had banned toll collection at the expressway, the government said it would buy back the project but subsequently changed its mind and paid monthly compensation of M\$11m instead.

Although toll collection was reinstated in August 2014, lower than estimated traffic volumes dented revenues.

RAM noted that, over the last few years, MRCB Southern Link has relied heavily on parent Malaysian Resources Corp (MRCB) to meet its debt obligations. MRCB has injected some M\$125m into the unit over the last three years, of which M\$67m was used in June last year to repay term loans ahead of maturity.

KIT YIN BOEY

The 3.375% February 2 2023 issue priced at 99.620 for a yield of 3.459%, 73bp wide of mid-swaps.

Rabobank's EMTN followed five Triple A rated five-year Kauri bond issues since January 5 from Nordic Investment Bank, Asian Development Bank, Inter-American Development Bank, the World Bank and Rentenbank.

These five SSAs raised a combined NZ\$2.225bn at mid-swaps spreads between 33bp and 37bp.

■ NIB AND KBN ADD NZ\$475M

Two regular Triple A rated SSAs returned to the Kauri market last Friday to raise a combined NZ\$475m.

NORDIC INVESTMENT BANK tapped its 3.0% January 19 2023s for NZ\$375m, increasing the issue size to NZ\$775m.

The reopening, via joint leads ANZ and BNZ, priced at 99.6852 for a yield of 3.069%, 34bp wide of mid-swaps and 63.9bp over the April 2023 NZGB.

NIB raised NZ\$400m from the initial sale on January 5, priced 35bp wide of mid-swaps.

Norwegian local government funding agency **KOMMUNALBANKEN** added NZ\$100m to its 3.375% June 7 2023, doubling the size of the line to NZ\$200m.

CBA and TD Securities led the tap, priced at 100.721485 to yield 3.2255%, 44bp and 80.05bp over mid-swaps and NZGBs.

The two deals take year-to-date 2018 Kauri supply up to NZ\$2.8bn, just shy of 2017's full-year total of NZ\$2.9bn.

The sale comprised a base size of 260m shares with an option for 65m increase, which was fully exercised. The total number represents 8.7% of Setia's enlarged share capital.

BNP Paribas and Maybank were the bookrunners.

MONGOLIA

DEBT CAPITAL MARKETS

■ MONGOLYN ALT GOES SOLO WITH JPM

Mongolian mining group **MONGOLYN ALT** mandated JP Morgan as sole global coordinator and bookrunner to arrange meetings with fixed-income investors.

The roadshow in Hong Kong, Singapore, London and New York started last Monday for a potential offering of US dollar bonds.

An offering of unrated 144A/Reg S senior five-year non-call three notes may follow, subject to market conditions.

NEW ZEALAND

DEBT CAPITAL MARKETS

■ ANZ TAPS SWISS MARKET

ANZ BANK NEW ZEALAND (A1/AA-/AA-) continued its New Year offshore issuance last Wednesday with a SFr200m (US\$214m) long six-year bond print via joint leads Credit Suisse and UBS.

The 0.35% October 22 2024 note priced in line with guidance at mid-swaps plus 13bp.

On January 16, the Kiwi major bank raised US\$1bn from dual-tranche 144A/Reg S senior unsecured notes. It priced a US\$500m 2.75% three-year piece at 63bp over Treasuries and a US\$500m 3.45% 10-year portion at 95bp over.

■ RABOBANK SELLS NZ\$100M EUROBOND

RABOBANK, New Zealand branch (Aa2/A+/AA-), sold a NZ\$100m (US\$73m) five-year Eurobond on January 19, via joint leads CBA, Rabobank and TD Securities.

PHILIPPINES

DEBT CAPITAL MARKETS

■ SMC PLANS FIXED-RATE RETAIL ISSUE

SAN MIGUEL intends to raise up to Ps30bn (US\$584m) from three tranches of fixed-rate retail bonds, according to a Philippine Stock Exchange filing.

The Philippine conglomerate is targeting proceeds of Ps20bn, with a greenshoe option of Ps10bn, from tranches of five, seven and 10 years. It is yet to announce coupons for the tranches.

BDO Capital & Investment, BPI Capital, China Bank Capital, First Metro Investment, ING Bank, SB Capital Investment and Standard Chartered are lead arrangers on the offering.

The notes will be issued off a Ps60bn

shelf registration programme, with proceeds to repay fully or partially loan obligations in dollars.

PhilRatings has assigned a Aaa (stable) rating to the proposed bonds, based on sustainable income streams and cashflows from SMC's operating businesses.

The rating will be further supported with the expected completion of projects in the energy and infrastructure sector, PhilRatings said in a release.

SINGAPORE

DEBT CAPITAL MARKETS

» RHODIUM HIRES FOR DOLLAR SENIOR

Singapore-based commodities trader **RHODIUM RESOURCES**, rated B/B- (S&P/Fitch), has hired two banks to arrange meetings and calls with fixed-income investors in Singapore, Hong Kong and Europe.

ANZ and BNP Paribas were named joint global coordinators and joint bookrunners for the meetings and calls, starting January 29.

A Reg S offering of US dollar senior fixed-rate notes may follow, subject to market conditions.

The notes are expected to be rated B/B- (S&P/Fitch).

» ENBD EYES SING DOLLAR ISSUE

EMIRATES NBD BANK, with ratings of A3 (stable) from Moody's and A+ (stable) from Fitch, held meetings with fixed-income investors in Singapore last Thursday.

ENBD, one of the largest banks in the Gulf Co-operation Council states in terms of total assets, has mandated *DBS Bank*, *Emirates NBD Capital*, *HSBC* and *Standard Chartered* as joint lead managers and bookrunners to arrange the meetings.

A potential Reg S offering of Singapore dollar senior fixed-rate notes, with short to intermediate maturity, may follow, subject to market conditions.

SYNDICATED LOANS

» GLP LBO LOAN FINDS 15 TAKERS

A leveraged buyout loan of US\$4.108bn for Global Logistic Properties has been allocated to 15 lenders.

Citigroup, *DBS Bank*, *Goldman Sachs*, *MUFG* and *Mizuho Bank* were the original mandated lead arrangers and bookrunners, while *Bank of China*, *Bank of Communications*, *China Merchants Bank* and *ICBC* came in for the same title.

Special-purpose vehicle **NESTA INVESTMENT HOLDINGS** is the borrower on the facility, split into a US\$750m five-year term loan tranche A1, a US\$750m three-year term loan tranche A2, a US\$2.108bn two-year term

loan tranche B and a US\$500m five-year revolving credit.

The top-level blended all-in pricing is 135.4bp, based on a blended interest margin of 124.06bp over Libor and blended tenor of 3.095 years. The respective opening margins are 135bp, 120bp, 110bp and 135bp for tranches A1, A2, B and the revolver.

Last July, GLP, along with subsidiaries and Nesta jointly said that the SPV would acquire all the shares of Asia's biggest warehouse operator for cash of S\$3.38 per share. This valued the company's equity at about S\$16bn (US\$11.9bn).

Nesta is a Cayman Islands-incorporated company set up by a Chinese consortium, comprising private-equity firms Hopu Investment Management and Hillhouse Capital Group, and SMG Eastern, an entity under the full control of GLP CEO Ming Zhi Mei. The trio plans to delist and privatise GLP.

GIC Real Estate, a unit of Singapore sovereign wealth fund GIC with a 36.84% stake in GLP, supports the transaction.

The loan, among the largest LBO financings out of Asia, will add to the US\$5.1bn of debt at the operating subsidiaries of GLP, which existing lenders could roll over.

GLP owns and operates a US\$41bn global portfolio of 55 million square metres of logistic facilities across China, Japan, Brazil, the US and elsewhere.

For full allocations, see www.ifrasia.com.

Ezion triggers early redemption

■ Restructuring Issuer fails pre-funding condition, DBS committed funding triggered

Holders of **EZION HOLDINGS'** S\$120m (US\$90m) 3.65% DBS Bank-backed 2020s will benefit from a full redemption on Monday following the issuer's failure to meet a pre-funding condition.

A coupon payment is due on the bond on Monday but, as the issuer has not prefunded the amount ahead of time as it should have under the terms of the notes, bond trustee DBS Trustee served notice that a failure had occurred. This requires a redemption of the principal and accrued interest on February 5, according to documents IFR has seen.

Private-banking clients holding the bonds were notified last Thursday that there would be an early redemption at par. DBS Bank's committed funding was triggered once the trustee requested the redemption. This will require the bank to make good on the payment.

Ezion had not made any announcement to the Singapore Exchange as IFR Asia went to press.

The development was unexpected as the Singapore oil-rig and support-boat company had put up robust resistance against major investor Ravi Murarka's efforts to redeem his investment in the 3.65% bond.

Murarka, who holds more than a quarter of the issue, has been struggling to push Ezion to redeem the notes on the premise that its shares had ceased to trade after being suspended from August 14 2017.

Last October, he filed an originating summons with the Singapore High Court to declare that Ezion's shares had ceased to trade, which would have triggered an immediate repayment. The High Court struck down the summons, but did not rule on the cessation question.

Murarka's actions were perceived as disruptive to Ezion's plans for a smooth restructuring of its debt, which includes six other bonds of a combined S\$575m. Holders of the six bonds agreed in November to waive certain covenants, including the event of default.

Ezion is still in talks with secured bank lenders but said in a statement on Friday morning that the banks had provided "evidence" of their binding and irrevocable commitment to refinance the loans. That statement made no mention about the DBS Bank-backed bond.

Ezion is also due to hold an extraordinary general meeting to obtain approval from shareholders to issue more shares to creditors in favour of the debt-for-equity swap options.

KIT YIN BOEY

RESTRUCTURING

MARCO POLO RESTRUCTURES DEBT

MARCO POLO MARINE has restructured its debt following settlements made under the various schemes of arrangement approved by creditors for itself and subsidiaries.

The Singapore marine logistics company said in a Singapore Exchange announcement last Thursday that it had fully discharged its obligations to the respective scheme creditors under the MPM scheme, the Marco Polo Shipyard scheme, the Penundaan Kewajiban Pembayaran Ulang, or PKPU, process for secured creditors, and bondholders.

The company redeemed the bonds in full after approval from bondholders in November and obtained a standstill on certain payment obligations of Indonesian unit Pelayaran Nasional Bina Buana Raya.

MPM and MPS went under a scheme of arrangement in late November with permission from the Singapore High Court after taking a hard hit on a prolonged downturn in the oil-and-gas industry. MPM had defaulted on a coupon payment on its S\$50m (US\$38.2m) 5.75% bonds due 2019.

As a result of the restructuring, new ordinary shares totalling 3.183bn, representing 90.44% of MPM's enlarged company capital, were issued. Of these, 2.14bn shares were given to nine new investors, thereby raising fresh equity funding of S\$60m, of which S\$45m was used to pay creditors and bondholders.

Under a debt-for-equity swap, bondholders and other entitled creditors were given a total of 983.6m shares, representing 27.94% of the enlarged company capital.

PACRAD STARTS CONSENT CHASE

PACIFIC RADIANCE launched a consent solicitation last Friday for its restructuring plans, including improvements in an offer to holders of its S\$100m 4.3% 2018 bonds.

Under the revised plan, PacRad has asked holders to convert fully a notional amount of S\$5 for 19 shares, up from S\$1 for three shares under the initial proposal. This will work out

to a total of 380m new shares to be issued with no lock-up period, at a value of S\$45.6m, based on the January 31 closing price of S\$0.12.

Also to be released are funds amounting to S\$4.3m from an escrow account, representing two coupon payments.

Under the new plans, holders will have the option to liquidate or retain shares. PacRad noted that an improving sentiment in the current oil and equity markets would provide some upside to its share price.

If holders choose to reject the plans, they could face a lengthy restructuring process as the company has not finalised terms with investors and secured lenders. They will also face another consent process in the second quarter of this year to address a maturity on August 29.

The Singapore operator of offshore vessels has also asked holders to waive compliance with certain financial and general covenants, as well as waive potential event of default.

A bondholder meeting will be held on February 26 to vote on the proposals. *Tricor Singapore* is agent for the consent meeting.

SWIBER DEFAULTS ON COUPON

SWIBER HOLDINGS defaulted on a coupon payment due last Friday on S\$150m 6.5% Islamic notes, according to a company statement on the Singapore Exchange.

The sukuk will mature on August 2, but the Singapore offshore marine services provider is expected to be unable to meet principal payments.

Swiber has been in judicial management since 2016 and is restructuring bonds of S\$500m.

SOUTH KOREA

EQUITY CAPITAL MARKETS

SK LUBRICANTS PLANS 2018 IPO

SK LUBRICANTS, a unit of SK Innovation, plans to

list in South Korea as early as 2018, according to people familiar with the situation.

The lubricant oil subsidiary revealed the plan on January 31 without mentioning the timing and size of the IPO.

It is SK Lubricants' third attempt for a listing, after the 2013 and 2015 bids for IPOs of up to US\$1.5bn failed to materialise.

According to the people, the company is expected to raise about US\$1bn this time. *Samsung Securities*, *Korea Investment & Securities*, *Citigroup*, *Credit Suisse* and *Mirae Daewoo*, mandated for the previous IPOs, are expected to continue to work on the new float, according to the people.

TAIWAN

SYNDICATED LOANS

POU CHEN SEEKS BUYOUT FUNDS

POU CHEN is sounding the market for a NT\$30bn (US\$1.02bn) loan to back the buyout of Chinese sportswear retailer Pou Sheng International Holdings.

The world's biggest footwear maker is in preliminary talks with relationship banks for the five-year facility and terms are still being finalised.

On January 21, Hong Kong-listed PSIH said in a stock exchange filing that it had received a proposal from Taiwan-listed parent Pou Chen to be taken private in a deal valuing the firm at HK\$10.9bn (US\$1.4bn).

PSIH shareholder Yue Yuen Industrial Holdings has agreed to sell its 62.4% stake for HK\$6.8bn, or at a cancellation price of HK\$2.03 per share, according to the stock exchange filing.

Pou Chen owns 49.9% of Yue Yuen Industrial, while Tsai Chi-jui, one of Pou Chen's founders, owns another 7% of Yue Yuen. The deal requires approval from independent PSIH shareholders, owning total interest of 37.2%.

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The transaction is subject to shareholder approval and the fulfilment or waiver of all the conditions on or before May 30 2018.

Citigroup is the financial adviser to Pou Chen.

In April 2013, Pou Chen raised a NT\$10bn five-year term loan. ANZ, Bank of Taiwan, CTBC, Mizuho Bank, Standard Chartered and Taipei Fubon Commercial Bank were the MLABs on that loan, which offered a margin of 61bp over the 90 or 180-day secondary CP rate, with a pre-tax interest-rate floor set at 1.5%.

Founded in 1969, Pou Chen is a manufacturer for companies like Nike, Adidas, New Balance, Puma and others.

» CHIPMOS SOUNDS FOR NT\$10BN

CHIPMOS TECHNOLOGIES is returning to the loan market after a two-year absence for a NT\$10bn loan.

Banks are bidding for the mandate to lead the loan, the terms and details of which have yet to be determined.

Funds are to refinance a NT\$13.2bn five-year loan signed in May 2018 and for working capital purposes.

Bank of Taiwan, Land Bank of Taiwan and Taiwan Cooperative Bank were the mandated lead arrangers and bookrunners on the NT\$13.2bn loan, with LBoT as the facility agent. That facility comprises a NT\$8.3bn term loan tranche A and a NT\$4.9bn-equivalent revolving credit tranche B, which could be drawn in either US or NT dollars. The NT dollar portions for tranches A and B offer margins of 46bp and 56bp over the one-year post office savings rate, respectively. There is a pre-tax interest-rate floor set at 1.7%. The interest margin on the US dollar portion for tranche B is 135bp over three-month or six-month Libor.

The Taiwan-listed borrower provides semiconductor testing and assembly services.

EQUITY CAPITAL MARKETS

» HON HAI GETS SPIN-OFF APPROVAL

Taiwan-listed electronics contract manufacturer HON HAI PRECISION INDUSTRY has obtained shareholder approval to list subsidiary Foxconn Industrial Internet on the Shanghai Stock Exchange.

FII will offer about 10% of its total issued share capital, according to a statement.

The pricing and timetable for FII's IPO have yet to be decided.

Proceeds will be used for investments in cloud computing and the production of internet equipment, research and development of 5G industrial internet systems and computing data centres, among other things.

The plan still needs regulatory approval.

THAILAND

DEBT CAPITAL MARKETS

» SIAM CEMENT PLANS BT30BN ISSUE

SIAM CEMENT will conduct a public offering of four-year bonds next month to raise up to Bt30bn (US\$960m), with five banks as joint lead managers.

This will be the largest issue from the blue-chip conglomerate in the last five years, exceeding the Bt25bn it printed last October. Proceeds will be used to redeem two bonds of Bt15bn each, maturing on April 1.

The coupon will be set in mid-February after which the notes will be offered to holders of the maturing bonds on March 2–8, to other holders of Siam Cement paper on March 26–28 and to the public on March 29–30.

Bangkok Bank, Bank of Ayudhya, Kasikornbank, Krungthai Bank and Siam

Commercial Bank are the five JLMs on the issue, which Fitch locally rates A.

» ICBC THAI HIRES FOR MAIDEN T2

INDUSTRIAL AND COMMERCIAL BANK OF CHINA THAI has mandated Bangkok Bank and Kasikornbank as joint managers for a maiden issue of Basel III-compliant Tier 2 baht notes.

The issuer has yet to decide on the size of the 10.5-year subordinated issue, which has scored a AA+ local rating from Fitch to reflect implicit strong support from parent ICBC. The Thai unit is locally rated AAA.

The unsecured notes will include a non-viability trigger, which will spark in the event of emergency capital assistance from the central bank or other empower government agency. There is no mandatory full write-down feature.

» BAY PRINTS THREE-YEAR NOTES

BANK OF AYUDHYA, Thailand's fifth largest commercial financial institution, has sold Bt15bn of three-year bonds paying 1.91%.

The Thai lender is a AAA credit to Tris to reflect the 72% stake held by Bank of Tokyo-Mitsubishi UFJ, a unit of Mitsubishi UFJ Financial Group. Settlement was on January 26.

BAY is a regular issuer of senior notes in the local bond market. Last year, it sold a combined Bt52bn of senior and subordinated bonds, including a Bt15bn 3.4% 10-year senior print in mid-November.

» KTC READIES DUAL-TRANCHER

KRUNGTHAI CARD plans to raise up to Bt1.5bn from the sale of dual-tranche bonds in mid-February, with Krungthai Bank and UOB Thailand as joint lead managers.

The Thai credit card services provider intends to issue at tenors of five and 10 years. Bookbuilding is tentatively scheduled for February 9.

Tris sees KTC as a A+ credit.

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ASIAN SYNDICATED LOAN PIPELINE UPDATES WEEK OF 31 JANUARY

Company	Currency	Size (m)	Margin (All-in)	Tenor (mths)	Facility	Arrangers
Australia						
Permira Advisers	A\$	700	400	60	Revolver/Term Loan	HSBC, ING, SMFG, GS, Natixis
China						
Dongying Fangyuan Nonferrous Metals	US\$	100	235 (330)	12	Term Loan	ABN AMRO
Lao Feng Xiang Jewellery Hong Kong	US\$	150	120 (150)	36	Term Loan	ANZ, Hang Seng Bank Ltd
Hong Kong						
Hong Kong Sunway Communication	US\$	150	170 (206)	36	Term Loan	Citi
Lao Feng Xiang Jewellery Hong Kong	US\$	50	120 (150)	36	Revolver/Line >= 1 Yr.	Hang Seng Bank Ltd, ANZ
Parsons Music Corp	HK\$	490	255	42	Term Loan	HSBC
	HK\$	90	255	42	Term Loan	HSBC
Union Resources & Engineering (Hong Kong)	US\$	200	150 (170)	36	Term Loan	DB
India						
Bharat PetroResources	US\$	150		60	Revolver/Term Loan	
Singapore						
Gallant Venture	S\$	250	435	60	Term Loan	SCB
	S\$	155	435	60	Revolver/Line >= 1 Yr.	SCB
Taiwan						
AerCap Holdings	US\$	600	155 (174)	48	Revolver/Line >= 1 Yr.	First Abu Dhabi Bank, CTBC, DBS
Vietnam						
Vietnam Joint Stock Commercial Bank for Industry and Trade (VietinBank)	US\$	100	115 (135)		Term Loan	BTMU

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	387.722	-0.464	-0.918	-0.926	111
ADHY	Asian-dollar high-yield index	617.179	-0.248	0.471	0.648	360
AGIG	Asian-dollar government high-grade index	361.975	-0.431	-0.885	-0.660	95
AGHY	Asian-dollar government high-yield index	734.756	-0.197	0.448	0.749	260
ACIG	Asian-dollar corporate high-grade index	412.629	-0.478	-0.935	-1.029	118
ACHY	Asian-dollar corporate high-yield index	506.254	-0.258	0.477	0.629	381

Source: Merrill Lynch

LAST WEEK'S ECM DEALS

Stock	Country	Date	Amount	Price	Deal type	Bookrunner(s)
Red Star Macalline	China	26/01/18	HK\$1.27bn	HK\$10.75	Follow-on (Secondary)	CICC
GDS Holdings	China	26/01/18	US\$286m	US\$26	Follow-on (Primary)	RBC, JP Morgan, Citigroup
S P Setia	Malaysia	30/01/18	M\$1.01bn	M\$3.11	Follow-on (Primary)	BNP Paribas, Maybank
JM Financial	India	30/01/18	Rs6.5bn	Rs162	Follow-on (Primary)	Credit Suisse, IDFC
Quess	India	30/01/18	Rs5.7bn	Rs950	Follow-on (Secondary)	Deutsche Bank
Shangri-La Asia	China	31/01/18	HK\$1.05bn	HK\$18.50	Follow-on (Secondary)	Morgan Stanley
Galaxy Surfactants	India	31/01/18	Rs9.37bn	Rs1,480	IPO (Secondary)	Edelweiss, ICICI Securities, JM Financial
Times Property Holdings	China	01/02/18	HK\$833m	HK\$9.25	Follow-on (Secondary)	UBS

Source: IFR Asia

LAST WEEK'S EQUITY-LINKED ISSUANCE

Issuer	Country	Date	Amount	Greenshoe	Maturity	Coupon (%)	Premium (%)	Bookrunner
Powerlong Real Estate	China	29/01/18	HK\$1.99bn	HK\$390m	2019	0	23.50	Bank of America Merrill Lynch, Credit Suisse, HSBC, UBS
Future Land Development	China	29/01/18	HK\$2.35bn	HK\$390m	2019	2.25%	28%	Citigroup, Deutsche
China Evergrande Group	China	30/01/18	HK\$18bn		2023	4.25%	40%	Bank of America Merrill Lynch, Credit Suisse, Citigroup, Deutsche, Haitong, UBS

Source: IFR Asia



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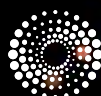
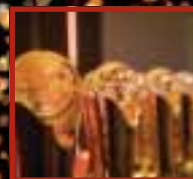
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