

IFR ASIA

INTERNATIONAL FINANCING REVIEW ASIA

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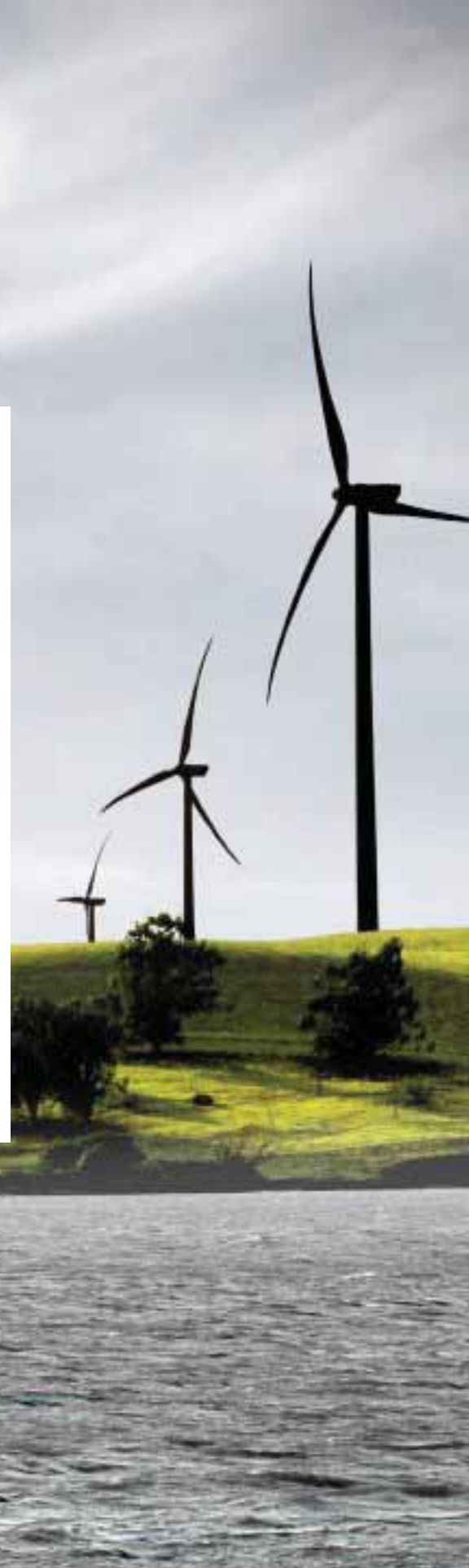
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Decoupling Asia

Bond bankers used to joke that when the US sneezes, it is Asia that catches a cold. On the strength of last week's performance, those traditional roles have now reversed.

Not long ago, Asian issuers wanting to sell US dollar bonds in the international capital markets needed to wait for the ideal market conditions to have a chance of getting investors' attention.

The big US funds that dominated new issues would only look at Asian credit if they were feeling especially bullish. A shaky day in the US often meant Asian borrowers would have to wait for a better window.

That was especially true in high-yield credit, where a sell-off in the US would close the market for Asian issuers for weeks.

It's remarkable, then, that no less than 15 US dollar bonds printed in Asia last week, the worst week for US stocks

The Asian investor base has come a long way in the last few years.

since the 2008 financial crisis. Ten had no investment-grade rating; four had no maturity.

There is good reason for this decoupling.

The Asian investor base has come a long way in the last few years, to the extent that 97% Asian allocations on a new US dollar bond are now a common sight (as was the case on a deal for Hong Kong landlord Hysan last week). Overseas Chinese buyers are now the driving force behind the primary markets, with banks, wealth managers, pension funds and sovereign investors all holding some serious firepower.

Add to that dynamic the fact that Asian markets grasped the seriousness of the coronavirus outbreak weeks ago, and it's no surprise to see business continue more or less as usual last week.

Relative value dictates that this kind of divergence can only run so far, and there is likely to be a period of adjustment while Asian markets get used to the new pricing levels.

It is clear, however, that Asia's capital markets are healthy

enough to stand on their own feet, regardless of what is happening with their western counterparts. In fact, as international investors struggle to assess the fallout from the new coronavirus outbreak, more global funds will be looking to China as a guide.

State of distress

Malaysia's capital markets are finding out what life is like in a political vacuum.

Lawmakers spent the whole of last week in an ugly and confusing dispute over the country's leadership, following the abrupt collapse of the ruling Pakatan Harapan coalition less than two years after its breathtaking election victory.

With no clarity over who will emerge as Malaysia's next leader – or whether Mahathir Mohamad will continue in the role – there is a real risk that the political paralysis will freeze activity in the funding markets. That would be disastrous at a time when the coronavirus outbreak is already piling the pressure on a cooling national economy.

Companies will be understandably wary about launching major financings at such an uncertain time. They should not, however, feel compelled to wait for politics to return to normal – whatever that may look like.

Malaysia would do well to put more distance between politics and its capital markets. The country has a number of first-rate agencies and state-owned enterprises that are frequent, professional issuers, but there are also many examples where political interference has distorted prices. Preferential allocations for indigenous Malays are a case in point, as is the reshaping of the toll road sector under the latest government.

After the 1MDB scandal exposed allegations of massive corruption, Malaysia needs to convince the world that it has moved on from the “money politics” of the former regime.

Other countries in the region suggest that a clean break between markets and politics is possible. Thailand's capital markets, for instance, have gone from strength to strength despite years of political upheaval.

Malaysia on Thursday did manage to announce a fiscal stimulus to counter the effects of the coronavirus, with Mahathir now in the role of interim prime minister. Normal service may well be resumed soon.

Political uncertainty is never helpful for capital markets deals, but it does at least give issuers the chance to prove their independence.

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Asian credit withstands panic

Bonds High-yield issues and Hysan hybrid draw support despite global sell-off

BY JIHYE HWANG

Asia's bond markets remained open for corporate hybrids and high-yield issuers last week despite a vicious sell-off in worldwide risk assets.

As the global spread of the new coronavirus slammed stocks and froze the US new issue market, 15 Asian issuers priced US dollar bonds last week – including 10 without an investment-grade rating.

An US\$850m hybrid from **HYSAN DEVELOPMENT**, a commercial landlord in recession-stricken Hong Kong, highlighted the resilience of Asian risk appetite last Tuesday, after the worst day for US stocks in two years.

Three high-yield offerings from the Chinese property sector underlined that point on Thursday, as the Dow Jones Industrial average plunged another 4.4%.

Paul Lukaszewski, head of corporate debt for Asia and Australia at Aberdeen Standard Investments, said instruments with higher credit spreads would remain attractive to investors seeking alpha in a low-rate world.

"This is what should make the Asian credit markets increasingly appealing to investors looking to enhance their portfolios without necessarily moving down in credit quality or extending duration," he said.

Hysan found no shortage of interest for a subordinated perpetual non-call 5.5 that priced at par to yield 4.1%, inside initial guidance of 4.4% area, after books closed more than 3.5 times subscribed.

Hysan is heavily exposed to a drop in overseas Chinese tourism as one of the largest commercial landlords in Hong Kong's Causeway Bay shopping district, where retailers have already been hit by months of

anti-government protests.

Rating agencies gave the structure 50% equity treatment. The coupon resets every five years from year 5.5 onwards, with a step-up of 25bp in year 10.5 and an additional 75bp in year 25.5.

Investors, however, focused on the reputation of the founding Lee family and strong expected rating of Baa2/BBB (Moody's/Fitch).

"It has a higher-beta structure but it's still an investment-grade note coming from a blue-chip name with a stable history of being financially prudent, which offered strong comfort to investors despite the overall bloodbath in markets," said a banker on the deal.

Final orders exceeded US\$3.2bn from 148 accounts, with 97% of the notes going to Asian buyers.

The bonds were trading at 3.97% in secondary markets during morning hours of its first trading day, before widening to 4.1% on Friday after US markets

took a further dive.

Hysan's deal followed another subordinated perp on February 20 from Indian agrochemicals company **UPL**. **CHINA MINMETALS** also priced a US\$1bn senior perp on February 25.

"There is one thing that works in the market – higher yields. Investors like yield and if a deal has a solid underlying, they are more inclined to go down the capital structure," said a banker on the UPL issue.

PANDEMIC FEARS

The dramatic increase of coronavirus cases beyond China, in countries like South Korea, Italy and Iran, kept G3 currency deals outside of Asia on mute. Only two deals, from **ING GROEP** and **PACCAR**, were priced from Monday through Wednesday, with zero corporate issuance in the US market for at least the first four days of the week.

Stocks, oil and US Treasury yields plunged as the worsening health crisis forced investors to rethink growth expectations.

"Investors, in particular global investors, initially priced in virus-related disruption to be relatively short-lived, followed by a V-shaped recovery," said Lukaszewski. "Over the past few days we have seen global investors reassess their sanguine views."

Being bullish under current circumstances requires a high level of conviction, said Neeraj Seth, head of Asian credit at BlackRock. "We are watching out for any potential disruption in the supply chain," he said.

Fund managers remain keen on Asian credit, but the divergence from the US new issue market has put relative valuations under scrutiny.

"Many of the perpetuals that we've seen in the last couple of weeks came in at rather expensive levels," said Stephen Chang, Asia portfolio manager at Pimco. "These instruments have seen good participation from the private bank community and leverage is offered that might have enhanced demand."



The risk-off mood did spread to Asia on Friday, with most new issues off at least half a point and high-yield generally 1-2 points lower. The iTraxx Asia investment-grade index widened 11bp to 67.5bp, its highest since October.

LOCAL LIQUIDITY

Bankers put the strength of the Asian market down to the depth of local liquidity, noting that last week's new high-yield issues were not overly reliant on any single buyer.

ROAD KING INFRASTRUCTURE sold a US\$300m five-year non-call three bond at par to yield 5.9%, while **GUANGZHOU R&F PROPERTIES** raised US\$400m from a four-year non-call two senior bond at par to yield 8.625%. Both priced inside initial guidance.

Smaller high-yield deals last week also included a US\$275m 2.5-year bond from **HONG YANG GROUP** that yielded over 10%.

"That kind of trade will always get done. It's China buying China, engaging friends and families," said the banker on the UPL deal. "I'm not trying to be complacent, but there are strong underlying technicals and we've still got some deals lined up for next week."

Although mindful that default rates may increase and that the funding profiles of specific companies need to be watched closely, Chang at Pimco pointed out that Asian credit remains appealing.

"Asia credit as a whole still offers attractive pick-up in spreads versus US or global credits, even though it was even more attractive before the US credit sell-off this week," he said.

On the Hysan deal, wholly owned subsidiary Elect Global Investments is the issuer and Hysan Development is the guarantor.

Credit Agricole CIB, HSBC, JP Morgan, Standard Chartered Bank and UBS were joint global coordinators as well as joint bookrunners and lead managers. ■

Hong Kong IPOs go virtual

■ **Equities** Virus outbreak makes face-to-face meetings impossible

BY FIONA LAU

At least two Chinese issuers are marketing Hong Kong IPOs virtually, setting a template for what could become standard practice if the coronavirus outbreak lasts for months.

CHINA BRIGHT CULTURE GROUP last Thursday opened books for an IPO of up to HK\$1.35bn (US\$173m), the first US\$100m-plus float in the city to conduct a virtual roadshow. The deal is being marketed to investors through telephone and video conference calls. No face-to-face meetings will be held with the management, which is currently in Beijing.

"The outbreak could last longer than people have expected as the virus is spreading to more and more countries. We can't just sit there to wait for the epidemic to be over, we need to find a way to do business," said a banker on the deal.

Fittingly, the issuer is a producer of video programmes and its whole IPO process, from pre-marketing to bookbuilding, has been moved online. Many investors do not want in-person meetings, and travel restrictions remain in place for Chinese citizens and those who have recently been to China.

Instead of the traditional investor luncheon, Bright Culture held a net roadshow, featuring presentation slides narrated by the company management. Calls are arranged for investors who want to ask follow-up questions.

The company also held an online press conference for journalists. Chairman Liu Mu said he would not attend the listing ceremony in the city on March 13, after discussing with the stock exchange and to comply with the quarantine

measures in Hong Kong. Hong Kong has imposed a mandatory 14-day quarantine on all visitors from mainland China.

"Investors seem to take the new format well and we don't think it will affect demand. We actually have more time to talk

"The outbreak could last longer than people have expected. We can't just sit there to wait for the epidemic to be over, we need to find a way to do business."

to investors now without all the travelling," said another banker on the deal.

The books were covered after the first day of bookbuilding.

MORE TO COME?

Bankers reckon more IPO candidates will take the virtual route as some of the current ones will see the financials in their applications expire in March.

"Some companies may choose to bring the deals to the market in March instead of updating the financials as it's basically impossible for auditors to do any work in mainland China right now. Updating the numbers could take months and the deals could slip into the second half," said the second banker.

Chinese biotech **INNOCARE PHARMA** is next in line. The clinical-stage company is planning to start pre-marketing a Hong Kong IPO of about US\$200m on Monday. Again, the deal will be marketed entirely through video or

telephone calls.

However, poor market conditions may prompt some issuers to stay on the sidelines. Last Thursday, the Dow Jones Industrial Average posted its biggest one-day point drop ever as uncertainty over the impact of the coronavirus rattled global markets. The index plunged 1,190.95 points or 4.4%, following a 7% drop from Monday to Wednesday. Hong Kong's Hang Seng index fell 4.3% last week.

InnoCare has a pipeline of nine drug candidates focusing on therapies for the treatment of cancer and auto-immune diseases. It posted a loss of Rmb322m (US\$45m) for the six months ended June 30, compared with Rmb279m for the same period a year earlier.

Goldman Sachs and Morgan Stanley are the joint sponsors.

For its part, Bright Culture is selling 400m shares for a 25% free float in an indicative range of HK\$2.25-\$3.37 per share, equal to a 2020 P/E of 11.6-17.4.

China Fortune Rich Private Equity Fund is the only cornerstone investor for the deal with a US\$10m investment.

The deal is scheduled to price on March 5.

BoCom International and Haitong International are the sponsors.

Bright Culture produces video programmes for TV networks and online video sites. It posted a net profit of Rmb47m for the eight months ended August 31 2019, down 34% from the same period in 2018.

The company will use the funds raised for the development of its pipeline programmes expected to be released mainly in 2020, to hire in support of its business expansion, and for working capital. ■

Politics disrupt Malaysian deals

■ **Equities** Mr DIY IPO and sovereign Samurai bond face delays

BY ANURADHA SUBRAMANYAN

The sudden collapse of Malaysia's governing coalition, coming on top of an economic downturn and the coronavirus epidemic, is holding back the country's already quiet capital markets.

Home improvement retailer **MR DIY GROUP**, which is currently meeting potential cornerstone investors for an IPO of around US\$500m, is likely to delay the deal to the second quarter from the first, people with knowledge of the transaction said.

"We were looking at a possible launch in April, pending regulatory approval, but may have to wait as investors want more clarity on the political situation," said a banker close to the deal.

A planned issue of Malaysian sovereign bonds in Japan's Samurai market, expected early in the year, is also likely

to be deferred until a new government is in place, bankers said.

The country has been plunged into turmoil by the collapse of the Pakatan Harapan coalition that took power after a stunning victory in the 2018 general election.

"The first half of this year is as good as gone. While we are not as badly hit as Hong Kong or Thailand because of the coronavirus, many doubts remain on the course of economic reforms in the country."

After some members of the fractious coalition held talks with opposition parties at the weekend, Prime Minister Mahathir Mohamad suddenly resigned last Monday, only to be immediately reappointed as interim caretaker. Mahathir, 94, was accused of teaming up with other groups to form a new

government that would exclude his anointed successor Anwar Ibrahim.

By the end of the week, it was still unclear who would lead the country, with Anwar, as president of the People's Justice Party, left as the leader of the diminished Pakatan

Harapan coalition. On Friday, the country's king decided not to call for a special session of parliament, while he continues to seek a solution in talks with lawmakers.

The turmoil caused a steep sell-off of government bonds with yields spiking 18bp–20bp across the curve at one stage on

Monday, before ending the day 5bp–11bp higher.

The yield on the 10-year benchmark, which had closed at 3.03% on Monday, had retreated to 2.83% on Friday as a relative calm returned to the political scene. The ringgit fell 0.84% to 4.2260 against the US dollar on Monday, before recovering to around 4.2100 on Friday morning. The benchmark FTSE Bursa Malaysia KLCI index fell 3.2% over the week.

In the local debt market, where no imminent deals had been planned, bankers said corporate issuers would likely hold off until the political landscape became clearer. Government-related borrowers would also have to pause until a new government was formed.

"The first half of this year is as good as gone. While we are not as badly hit as Hong Kong or Thailand because of the coronavirus, many



doubts remain on the course of economic reforms in the country," a Kuala Lumpur-based ECM banker said.

As of Friday, there were 22 reported coronavirus in Malaysia, against 93 in Hong Kong and 41 in Thailand, according to media reports.

ECONOMIC STIMULUS

Despite the political vacuum, a much-needed M\$20bn (US\$4.74bn) economic stimulus package was announced as scheduled on Thursday, giving market participants hope that the extra spending will offset the impact of the coronavirus epidemic in the second half. The package incentivises domestic tourism to make up for the fall in foreign arrivals and supports domestic consumption and investment by lowering provident fund contributions temporarily and giving some tax deductions. It also includes investment for the power, telecoms and infrastructure sectors.

Economic growth is projected to slow to 3.6% this year, from 4.3% last year, already a 10-year low.

Bank Negara Malaysia is also expected to cut benchmark rates by 25bp at the next policy meeting on March 3. Economists and analysts are projecting another 25bp cut later in the year.

For now, though, spurring interest in ECM deals is hard as recent IPOs are not performing well. Shares of cosmetics retailer **INNATURE**, which raised M\$113m from the year's biggest IPO to date in early February, closed at M\$0.56 on Thursday, down 12.5% from the M\$0.64 issue price. Last year's largest float, poultry producer Leong Hup International, has seen its shares lose 35% to M\$0.715 against the issue price of M\$1.10.

CIMB, Credit Suisse, JP Morgan, Maybank and RHB are the joint global coordinators and bookrunners with UBS on the Mr DIY IPO. ■

(Additional reporting by Kit Yin Boey and Takahiro Okamoto)

Trip.com braves travel freeze

■ **Loans Underwriter StanChart invites commitments to US\$1.2bn financing**

BY APPLE LI, EVELYNN LIN

Sole underwriter *Standard Chartered* is facing a stern test as it steers a US\$1.2bn loan for Chinese travel agency **TRIP.COM GROUP** through syndication amid dire conditions for the tourism industry as a result of the global coronavirus outbreak.

The bank is seeking sub-underwriting commitments of US\$300m apiece from a select group of international and Chinese lenders for the deal, which comes as the spread of the virus has forced more countries to close their borders and impose strict quarantine measures. Trip.com's stock is down more than 20% since mid-January, and it has delayed the announcement of its Q4 and full-year results to March 18 from February 26 in order to give investors more visibility into the outlook for the current quarter.

Initial indications from market participants pointed to some support from heavyweight Chinese banks, which will likely determine the mood among the wider lending community.

"We are aware of the impact the virus might have on the credit, but we decided to go ahead given it is a top-tier borrower and an industry leader," said a Hong Kong-based banker at a major Chinese bank, which is seeking credit approvals to commit to the deal.

Trip.com, formerly known as Ctrip.com, is a barometer of sentiment among lenders for businesses that have been directly affected by the virus that continues to spread rapidly around the world.

The travel sector is facing a slump in demand as a result of containment measures aimed at curbing the spread.

Italy has reported more than 400 cases, while South Korea raised its disease alert to the highest level after confirmed cases jumped to 1,595 as of last Thursday from fewer than 100

around a week earlier.

International lenders, understandably, are cautious about committing more funds, especially with lack of clarity on how badly the virus has hit Trip.com's business.

"It's obviously a tough time for tourism enterprises like Ctrip, which is faced with challenges of falling revenues on the back of diving demand. We will be more conservative in lending to the virus-hit tourism sector as we don't know how the virus will affect the industry in the long term," said a senior loan banker at an existing lender.

Some also felt the borrower is back to the market too soon after completing a US\$2bn three-year loan last July. Of the 19 banks participating in that deal, including the mandated lead arrangers and bookrunners, 15 were Chinese.

Chinese lenders are again expected to dominate the new loan in what would be seen as supporting state policy.

"The message from the Chinese government is to be accommodative, especially to borrowers from sectors that have been impacted by the virus," said a senior loans banker at an international bank.

"A lot of onshore liquidity in China will be made available, which means Chinese banks will dominate lending in the coming weeks, if not months," the banker added.

SARS EXPERIENCE

Other Chinese borrowers have managed to tap into Chinese liquidity in difficult periods in the past. Last November, Huawei Technologies approached mainly Chinese lenders market for a US\$1.5bn loan after foreign banks snubbed a similar-sized financing for the telecom giant a few months earlier, after the US put the firm on an export blacklist.

Some international lenders

shied away from lending to Huawei, despite the company's solid performance, in the face of the sanctions and an economic slowdown in China stemming from the country's ongoing trade war with the US.

Trip.com weathered the outbreak of Severe Acute Respiratory Syndrome, another coronavirus that killed hundreds in China and Hong Kong, in 2003, going on to complete a popular listing on the Nasdaq in December that year.

Trip.com made a loss in the second quarter of 2003, the height of the Sars crisis, with revenues down 42%, before rebounding in Q3, when its top-line revenues surged 196%.

The strong performance was due to a swift turnaround for the travel industry in China following a three-month travel downturn during the Sars period and a broader recognition of the Ctrip brand.

Some market participants are optimistic about Trip.com's prospects this time too.

"Once the restrictions on travel are lifted, Ctrip will recover with a higher monthly run-rate. Business executives affected by travel restrictions in January and February could look at resuming travel around April or May. That's when Ctrip's numbers will pick up," said another loans banker in Hong Kong.

Trip.com has also significantly increased its non-Chinese operations in the last few years, with the acquisition of fares search engine Skyscanner, an increase of its stake in India's MakeMyTrip to 49% and the announcement of a partnership with TripAdvisor last November. Trip.com's international air ticketing volume (excluding Greater China destinations) has enjoyed triple-digit growth for the past 12 quarters, according to its last earnings statement. ■

Size is no object for BOC Tier 1

■ **Bonds** Bank battles through volatile market with US\$2.82bn print

BY CAROL CHAN

BANK OF CHINA last Wednesday printed the biggest Additional Tier 1 offering in Asia this year, raising US\$2.82bn despite heightened market volatility as the coronavirus outbreak went global.

The Reg S offshore preference shares issue is also the largest AT1 in the international market from a PRC-incorporated bank since Postal Savings Bank of China's US\$7.25bn AT1 issue in September 2017.

The perpetual non-call five Basel III-compliant securities were priced at par to yield 3.6%, 35bp tighter than initial 3.95% area guidance. The coupon is the lowest to date for an AT1 from a Chinese bank, helped by extremely low US Treasury yields.

The deal received strong anchor orders, especially from Chinese fund managers and corporates, ensuring smooth execution despite the overall

market volatility. BOC's state ownership was enough to persuade investors to look beyond the threat of a rise in bad loans as firms wrestle with the fallout of the coronavirus.

"Market sentiment turned weak in recent days amid fears over the coronavirus spreading outside of China, and risk assets have been sold off," said a banker on the deal. "Against such a market backdrop, some investors have become more conservative in terms of pricing. But given the strong name of the issuer and solid anchor support, we were confident to get the deal done as scheduled."

Another banker on the deal said: "We cannot say it was ideal timing, but it is always difficult to predict where markets are going. The issuer is happy with the overall result, in terms of pricing and book size, in such a market situation."

Final pricing was inside the fair value estimates of 3.7%

by Nomura's trading desk and 3.7%–3.8% by research firm CreditSights, which both referenced AT1s of Chinese and Singaporean banks.

Hong Kong and Shanghai-listed Bank of China is rated A1/A/A and the offshore AT1s have expected ratings of Ba1/BB+/BB+.

Feedback from investors was mainly in the mid-to-high 3% range and the leads put the fair value estimate at around 3.60%–3.65%.

"There was no new issue concession. What I can say is that the pricing was pretty much at fair value," the first banker said.

NO EURO TRANCHE

BOC had considered adding a perpetual non-call seven euro-denominated tranche on a reverse-enquiry basis, but did not proceed in the face of low demand and high yield expectations from investors.

"It could achieve a bigger issue and a lower funding cost

in dollars," said the first banker. He said investors are asking for a 3%-handle for euro currency AT1s, which is about 5% in dollar terms after swaps.

The first banker said there have been plenty of euro-denominated AT1s from European banks lately, usually at higher yields than Chinese bank AT1s, explaining the lack of investor interest.

The latest issue completed BOC's plan to raise up to Rmb120bn (US\$17bn) from preference shares, after it issued Rmb100bn-equivalent in two tranches onshore last year.

Final deal statistics were not available at the time of writing but orders were said to be in excess of US\$5.8bn ahead of the release of final guidance, including US\$460m from the leads.

The newly priced AT1s traded weaker in the aftermarket, as risk assets extended their decline following more reported cases of the coronavirus outside China.

Singapore loves high yield again

■ **Bonds** Private bank investors look for returns down the credit curve

BY KIT YIN BOEY

Once the pariahs of the Singapore dollar bond market at the height of bond restructurings in 2017, high-yielding credits are now gaining support from yield-hungry private bank investors.

OXLEY HOLDINGS last week raised S\$75m (US\$53.7m) from the sale of three-year bonds priced to yield 6.5% – an achievement for a highly geared borrower that would not have been able to raise funds last year anywhere near this pricing level.

"The liquidity in the market has been strong this year and we have been seeing robust demand for high-yield names,"

said one syndicate banker.

Private bank clients, who have a strong presence in Singapore's bond market, have been starved of income-generating assets in a low-interest rate environment.

Last year saw investors go down the structural curve to obtain high returns, but so far this year the bulk of corporate issuers have offered only senior bonds with yields below 4%. There was one structurally high-yielding bond in the form of a perpetual from newcomer CPI Property, which sold S\$150m of the bonds at 5.8%.

The improved demand has benefited issuers such as **ALLGREEN TREASURY**, **THOMSON**

MEDICAL GROUP and **ESR CAYMAN**, which have been able to achieve fairly large issue sizes of over S\$150m each. In particular, ESR Cayman managed to compress pricing after paying the highest yield in the market in 2019, when it sold S\$150m of three-year notes at 6.75%. In February, it priced a longer-dated deal of five years at 5.1%, drawing an impressive order book of S\$725m.

Oxley rode on ESR's coattails, offering a three-year note at an initial guidance of 6.75% for an indicated maximum size of S\$100m. Ultimately, it settled for tight pricing over size – at 6.5%, it is still the highest-yielding new issue since ESR's

2019 deal.

The deals have performed well in the secondary market, reflecting a healthy bid for non-investment grade credits. Thomson Medical's 4.05% 2025s were quoted at a bid of 100.90 on Thursday, while ESR's 2025s were at 100.40. CPI Property's 5.8% perpetual non-call five notes were at 100.09.

This will be encouraging news to other high-yield and unrated issuers with funding requirements this year, but private bank investors remain very selective on credits, say bankers, posing a refinancing challenge for highly-g geared issuers, such as **PERENNIAL REAL ESTATE HOLDINGS** and **ASPIAL**. Oxley has recently made an effort to cut its gearing through sales of assets such as its Chevron House property in Singapore.

In addition, the negative

They opened at 99.75/100 on Thursday morning and were quoted at 99.20/99.45 in the afternoon, giving a yield of 3.75%/3.68%.

KEEP A FOOT OFFSHORE

BOC's management made clear in an investor conference call that the offshore offering was aimed at maintaining an active international investor base that can be tapped when required, even though current terms are more competitive onshore.

BOC was the first Chinese bank to issue offshore Basel III AT1, raising US\$6.5bn in October 2014, and it redeemed those securities on the first call date on October 23 last year. It is now the only Chinese bank to issue offshore AT1s a second time in the international market, but this time with a much smaller size as funding costs are lower onshore.

China last year made it easier for banks to issue AT1 capital in the onshore market, allowing perpetual bonds for the first time and making the securities eligible for repo transactions with the central bank. BOC in January 2019 issued the country's first onshore bank

perpetual bonds, raising Rmb40bn at 4.50%.

Nicholas Yap, a credit analyst at Nomura's trading desk, said the technical backdrop for Chinese offshore AT1s remains supportive, given that supply has been limited since capital raising efforts were redirected onshore.

All or part of the offshore AT1s will convert to ordinary H-shares at the effective conversion price, initially set at HK\$3.31 per share, if the bank's common equity Tier 1 capital adequacy ratio falls to 5.125% or below. This will also happen if the China Banking and Insurance Regulatory Commission deems the bank non-viable without a conversion or write-off, or a public-sector injection of capital is necessary, whichever event comes earlier.

BOC's CET1 ratio stood at 11.24% at end-September.

BOC International was sole financial adviser and sole global coordinator. It was also joint bookrunner and joint lead manager with Bank of China, BNP Paribas, Citigroup, Credit Agricole, ICBC International, MUFG, Standard Chartered Bank, UBS and Wells Fargo Securities. ■

sentiment linked to the coronavirus in Singapore may further dampen appetite for these issuers.

"The demand for high-yield paper was stronger before the coronavirus disease took hold here, so this is not the best time for these issuers right now," said a credit analyst.

Perennial has some S\$1.3bn of debt maturing over the next 12 months, of which S\$580m are retail bonds and MTNs. The Singapore-listed company has cash reserves of only S\$119.8m, which prompted OCBC's credit research team to downgrade it to a negative profile in mid-February.

The property company said in a SGX statement last week it would use a combination of unutilised bank lines and new bond sales or bank loans, as well as proceeds from

planned divestments, to repay the bonds. The balance of the maturing debt, made up of bank loans, will mature in the fourth quarter of this year.

Credit analysts estimated that Perennial may have to pay as much as 8%-9% for three-year notes, which may make funding from the bond market too costly for the issuer.

Aspial also faces tight liquidity with some S\$867m of debt coming due this year against cash reserves of S\$146.2m. Maturing debt this year includes a S\$189.9m 5.3% bond due in April and a S\$150m 5.25% note due in August.

Aspial had said in November it would redeem the April bond with a combination of sales proceeds from apartments at the Australia 108 project, secured bank loans and internal cashflow. ■

Aussie corporates test non-IG market

■ **Bonds** Frasers and Perenti prepare unrated and high-yield bond debuts

BY JOHN WEAVERS

FRASERS PROPERTY AUSTRALIA and mining services group PERENTI GLOBAL are preparing to test Australia's non-investment-grade bond market with proposed debut offerings in the coming weeks.

Unrated or high-yield issuance was almost unheard of in Australia's famously conservative institutional arena a few years ago when most asset managers were mandated to hold only credits rated at least Triple B or even Single A.

Things have changed, however, as fixed-income funds adapt to rapidly rising client appetite for yield in a low-interest rate world.

On the sellside, there is an obvious incentive for issuers to diversify beyond bank loans and the deep, but expensive, offshore bond markets.

Job site SEEK was the last unrated issuer to access the market with a A\$150m 6.5-year non-call 3.5-year note last December, priced at three-month BBSW plus 370bp.

SEEK's second trade came hot on the heels of an inaugural A\$300m six-year FRN from David Jones, a subsidiary of South African retailer Woolworths.

In June 2019, regular issuer NEXTDC, a data-centre provider, raised A\$200m from two taps of its dual-tranche June 9 2022 Notes IV.

Meanwhile Single B rated Virgin Australia has tapped this new source of demand twice over the last couple of years with A\$150m and A\$250m five-year non-call three notes in May 2018 and February 2019, which pay juicy coupons of 8.25% and 8.075%, respectively.

Frasers Property Australia has mandated ANZ, Barclays, HSBC, NAB and OCBC Bank for an

unrated long-dated sustainability MTN issue off its A\$2bn (US\$1.32bn) multi-currency EMTN programme, which is guaranteed by Singapore-listed parent Frasers Property and may price as early as this week.

One Sydney-based fund manager, who has some small limits for sub investment-grade bonds, is considering a potential purchase of the FPA bond.

"Frasers said its credit metrics fall into Triple B territory which, if we can verify this, would obviously provide comfort, while we are generally favourable on the local diversified REIT sector," he said.

He added that the bond's sustainable use-of-proceeds structure offers extra appeal given the growth in green-targeted investor inflows.

FPA recently set up a sustainable finance framework based on the Global Real Estate Sustainability Benchmark, which was established by a group of global pension funds as an ESG measure for their investments.

The FPA framework is the first of its kind for sustainability-linked bonds and loans in Asia Pacific from a real estate company, according to Frasers Property. The company has been taking green loans since September 2018, including a A\$600m five-year green facility for FPA last April.

Outside the green segment, Perenti (formerly Ausdrill), a diversified global mining services group, rated Ba2/BB- (Moody's/S&P), has mandated NAB and HSBC for a potential debut Australian dollar MTN offering.

Last year Perenti acquired Barminco, which has an outstanding US\$350m senior secured 6.625% May 15 2022 144A/Reg S bond that is expected to be called on March 27. ■

Geely bucks China sales slump

■ **Bonds** Chinese carmaker draws investors despite negative industry outlook

BY DANIEL STANTON

Carmaker **ZHEJIANG GEELY HOLDING GROUP** overcame volatile market conditions and a weak outlook for Chinese vehicle sales to print a US\$400m five-year bond on Thursday.

The deal drew orders in excess of US\$1.3bn ahead of the release of final guidance. Final statistics were not available at the time of writing.

The 3.00% 2025 bonds were priced at 99.526 to yield 3.103%, or Treasuries plus 200bp, inside initial guidance of 215bp area.

Chinese vehicle sales have fallen for the past two years and are expected to suffer as a result of the coronavirus, as potential buyers defer purchases and production is disrupted.

Wholly owned subsidiary Geely Finance (Hong Kong) is the issuer and Zhejiang Geely the guarantor.

The Reg S notes have an expected rating of BBB- by S&P, in line with the guarantor.

Barclays, Bank of China, BNP Paribas, DBS and Standard

Chartered were joint global coordinators as well as joint lead managers and joint bookrunners with *China Everbright Bank Hong Kong branch*, *Citigroup* and *Shanghai Pudong Development Bank Hong Kong branch*.

Proceeds will be used for domestic and overseas business development and to refinance offshore debt.

Geely's outstanding US\$300m 2023 bonds were quoted at a G spread of 160bp, while other private sector industrial credits also provided pricing references. Semiconductor Manufacturing International Corp, rated Baa3 (Moody's), had 2025 bonds quoted at G plus 162bp and chemical company Shanghai Huayi (Group), rated Baa3/BBB/BBB-, had 2024 bonds seen at G plus 151bp.

CHALLENGING TIMES

Chinese vehicle manufacturers are facing challenging times. Retail shipments of passenger cars dropped 21.5% year on year in January, and plunged 92% in the first 16 days of February, according to the China

Passenger Cars Association.

However, Geely has recently outperformed the sector. Its global vehicle sales rose 1% in 2019 to 2.18 million, even as Chinese passenger vehicle retail shipments shrank 7.4%, according to the CPCA. This was the second consecutive year of decline in Chinese sales volume, but Geely benefits from its ownership of Swedish carmaker Volvo, which grew global sales 9.8% in 2019. Green passenger and commercial vehicle sales rose 50.6% year on year.

The outlook for this year is even worse for Chinese carmakers. Even before the coronavirus outbreak, Chinese rating agency Pengyuan International forecast that retail shipments of passenger cars would drop 6% in 2020, unless the government introduced sales support measures.

Even these estimates now look out of reach given that many carmakers have had to shutter their factories during the coronavirus outbreak.

Pengyuan International said

that, assuming many factories can resume production by early March, retail sales of passenger cars are expected to fall by 8% this year. If production resumes only in early April, the decline will reach 13%.

However Pengyuan expects the creditworthiness of top-tier carmakers like Geely, Great Wall Motor, SAIC and Dongfeng Motor to be relatively more resilient. "[The] lower-tier group of players with small-scale production and poor supply chain management will suffer significantly from the financial strain caused by the pandemic," wrote Pengyuan.

Moody's warned in February that Dongfeng Motor was the most affected of all the companies it rates because it has around 50% of its production capacity in Hubei province, the centre of the epidemic, but said rated automakers would be able to absorb the negative credit effects of the coronavirus.

Geely has used the current crisis as a product development opportunity. In February, it said it would earmark Rmb370m (US\$53m) to develop vehicles with anti-viral and anti-bacterial air cabin purification properties. ■

Yida pins hopes on bond swap

■ **Bonds** Chinese developer warns of possible restructuring if exchange fails

BY DANIEL STANTON

YIDA CHINA HOLDINGS has announced an exchange offer and consent solicitation for its US\$300m 6.95% bonds due April 19, and warned that it may need to restructure its debt if the exchange offer is unsuccessful.

Holders who tender their bonds will receive US\$80 in cash per US\$1,000 in principal amount and US\$920 in new bonds due 2022.

The new bonds will pay 10% annual interest for the first six months and 14% per annum thereafter.

The property developer will

not go ahead with the exchange unless at least US\$225m, or 75%, in principal amount of the 2020s are tendered and accepted.

In response to the exchange offer, S&P cut Yida's company rating to CC from CCC- and the rating of its bonds to C from CC. The outlook is negative, reflecting the likelihood that it could downgrade the rating to selective default once the transaction is completed. Fitch downgraded the company and the bonds to C from CCC. Moody's rates the company Caa1 and has not yet responded to the proposal.

Admiralty Harbour is dealer

manager for the exchange offer, which ends on March 9. Yida is also seeking consent from bondholders to waive their claims under the old notes.

If the exchange offer is not completed, Yida said it may hire Admiralty Harbour as financial adviser to implement an alternative debt restructuring, as the company's resources may not be enough to redeem the bonds.

Yida's 61.2% major shareholder, Jiayou (International) Investment, is facing a cash crunch because of asset freeze orders imposed on **CHINA MINSHENG INVESTMENT GROUP**. China Minsheng holds a 67.26%

stake in China Minsheng Jiayou Investment, which indirectly owns Jiayou.

Asset freeze orders were imposed on China Minsheng in February and March last year, including a freeze on its position in Minsheng Jiayou for three years. The freeze hurt China Minsheng's access to finance and led to Rmb4.277bn (US\$608m) of loans becoming immediately payable.

Yida said it expects to be able to repay the new notes if the exchange offer goes through. It is also looking for strategic investors and new business partners.

The 2020s were bid at a cash price of 67 last Thursday. They fell a week earlier on news that police had detained executive director Chen Donghui for suspected embezzlement. ■

SSE moves IPO pageantry online

■ **Equities** Three newly listed stocks make strong debuts despite coronavirus fears

BY KAREN TIAN, FIONA LAU

Three companies newly listed in Shanghai had to move their IPO ceremonies online last week because of the coronavirus crisis, but that did not stop their shares from enjoying the customary first-day pop.

BESTORE, a snacks manufacturer headquartered in Wuhan, the centre of the outbreak, marked its debut on the Shanghai Stock Exchange with a video broadcast on February 24 that came complete with a gong-striking animation.

The first-of-its-kind web broadcast was a way to maintain the sense of ritual for company listings while in-person events are restricted because of the epidemic, the SSE said.

The exchange said that 13 companies that were listed between February 4 and February 21 without a celebration could hold ceremonies, actual or virtual,

after the epidemic subsides.

In the video, the CEO of Bestore, the vice president of sponsor *GF Securities* and the founder of venture capital investor Capital Today

The first-of-its-kind web broadcast was a way to maintain the sense of ritual for company listings while in-person events are restricted because of the epidemic, the SSE said.

exchanged introductions and congratulations, as they would have in a normal listing ceremony.

Coronavirus-related concerns were absent when trading began, with Bestore shares quickly hitting the 44% cap on first-day gains for newly listed stocks at Rmb17.14.

The company raised

Rmb488m (US\$69m) at Rmb11.90 per share and had the retail portion of its IPO 7,054 times covered.

BOC INTERNATIONAL (CHINA)'s A-shares also hit the 44% cap, surging to Rmb7.88 from the IPO price of Rmb5.47 in morning trading on their February 26 debut.

The company's chairman and the president of sponsor *Guotai Junan Securities* starred in a celebratory online video broadcast.

The Shanghai-registered bank raised Rmb1.52bn from the float to replenish working capital and for business expansion.

The bank is active in investment banking, sales and trading, retail and brokerage, and asset management.

Ping An Securities was joint bookrunner with the sponsor.

On Shanghai's tech-focused Star market, **CHINA RESOURCES MICROELECTRONICS**' A-shares soared 228% to Rmb42.01 on their February 27 debut, which marked the first listing of a

red chip, or overseas-domiciled company, in China's A-share market. (Unlike on the main board, there are no limits on price movements on the Star market in the first five trading days.)

The semiconductor manufacturer raised Rmb3.75bn from the sale of 293m A-shares, or 25% of its enlarged capital, at Rmb12.80 each.

It also over-allocated the 15% greenshoe, meaning leads can stabilise the share price in the first 30 days after listing, the first time this mechanism has been used on the new board.

Cayman Islands-domiciled CR Microelectronics is a subsidiary of state-owned China Resources.

Proceeds will be used for a sensor and power semiconductor construction project, to upgrade R&D facilities, for M&A, and to replenish working capital.

CICC is the sponsor and committed to buy 3% of the IPO.

Since the coronavirus outbreak began, the SSE has implemented other support measures such as reduced listing costs and video productions for roadshows. ■

Peking Founder confirms default

■ **Bonds** Struggling group put under court-supervised restructuring

BY CAROL CHAN

PEKING UNIVERSITY FOUNDER GROUP has confirmed that its failure to repay an onshore bond has led to a cross-default on US\$3bn of offshore bonds and that it is now under a court-supervised restructuring.

In public filings, the university-linked conglomerate also said that it cannot make repayments to individual creditors under the terms of the reorganisation.

The bonds affected include nine bonds denominated in US dollars and one in euros issued through special purpose vehicles. Seven bonds totalling US\$1.89bn-equivalent were

issued through Nuoxi Capital, two bonds totalling US\$800m through Kunzhi and one bond with a principal amount of US\$350m through Dawn Victor.

Some of these bonds are guaranteed by Peking Founder and it provided a keepwell deed for most of the others.

The struggling group failed to repay an overdue onshore bond on February 21 and asked creditors to register and declare their claims with the company before April 21.

The repayment date of the Rmb2bn (US\$285m) 4.94% 270-day notes was originally December 1 2019 but was extended to February 21 on top of the original grace period

of 15 business days following investor approval.

The First Intermediate People's Court of Beijing issued a civil order and a letter on February 19 which stated that it had accepted a request from creditor Bank of Beijing to begin a court-supervised restructuring of the state-controlled group.

The court appointed a liquidation team as administrators to lead the restructuring, which includes officials from the People's Bank of China, the Ministry of Education, financial regulators and relevant departments of the Beijing municipal government.

Peking Founder said the reorganisation of the group, including the acceptance of the petition by the court, the appointment of the administrators and the debt arrangement with creditors could also constitute an event of default under the terms of the offshore bonds.

The state-controlled group has businesses ranging from commodities trading and securities broking to semiconductors. Peking University currently owns a 70% stake through PKU Asset Management, and the remaining 30% is held by Beijing Zhaorun Investment Management, a company founded by Peking Founder executives. The two parties are in dispute over shares awarded to those executives in 2004. ■

TOP STORY RESULTS

StanChart walks back returns target

Anglo-Asian lender unlikely to hit 10% RoTE target by 2021

STANDARD CHARTERED said it is likely to miss its profitability and income growth targets in the short term due to headwinds from low interest rates and the coronavirus outbreak, as it recorded a 25% slump in underlying pre-tax profit for the fourth quarter.

Chief executive Bill Winters in February 2019 outlined his second major turnaround plan since he took up the reins in 2015. It included targets of increasing revenues by 5%–7% a year and lifting return on tangible equity to at least 10% by 2021.

Winters said last Thursday that US-China trade frictions, lower interest rates, slowing global growth, a recession in Hong Kong and the recent coronavirus outbreak meant income growth in 2020 is likely to be lower than 5% and it will not hit its 10% RoTE target as quickly as hoped.

“We have had a good start to 2020 but we recognise there are substantial headwinds that are mounting, the most obvious of which is the coronavirus,” Winters told reporters on a conference call.

“That will make it more difficult for us to hit our financial targets over the next couple of years and make it difficult to hit our medium-term target for income growth.”

The update came as the emerging markets lender said that pre-tax profit on an underlying basis for the October-December quarter came in at US\$325m, down from US\$432m a year earlier. Revenues were broadly flat at US\$3.6bn.

A tough final three months in 2019 capped an otherwise decent year for the

Anglo-Asian lender, which saw it make some progress towards meeting its targets.

Its RoTE improved by 130bp from 2018 to 6.4%, the fourth consecutive year of improvement from a negative return four years ago.

The bank booked higher profits in every division and every region in 2019, while the four markets Winters singled out for improvement in last year’s strategy update – India, Indonesia, South Korea and UAE – saw a 10% increase in aggregate profit.

DCM SURGES

Overall pre-tax profit on an underlying basis for the full year rose 8% to US\$4.2bn. This was just below an average estimate of US\$4.3bn from 15 analysts, based on data compiled by Refinitiv.

On a statutory basis, pre-tax profit jumped 46% to US\$3.7bn from US\$2.55bn in 2018, when the bank booked a US\$900m charge.

Underlying revenues rose 2% to US\$15.3bn, while operating expenses, including the UK bank levy, were up 1% at US\$10.4bn.

Corporate and institutional banking accounted for almost half of overall revenues with operating income for the full year climbing 5% to US\$7.2bn.

Financial markets revenues within CIB increased 12% to US\$2.6bn as StanChart said it benefited from increased hedging and investment activity by clients due to last year’s market volatility.

Revenue from foreign exchange rose

15%, in rates it jumped 26% and in credit and capital markets it soared 81%, while commodities fell 17%. Capital structuring and distribution, which comprises the bank’s private-side distribution and structuring teams, saw revenues rise 6%.

Corporate finance revenues within CIB dipped 5% to US\$1.1bn, which the bank attributed to its decision to discontinue its ship leasing business. Otherwise, revenues rose 2%, it said.

Revenues from retail banking grew 3% to US\$5.2bn, while revenues from commercial banking increased 6% to US\$1.5bn and private banking grew 12% to US\$577m.

The bank warned the impact of coronavirus could be felt more sharply in March than in the first two months of this year when business momentum was similar to Q4.

It said the coronavirus could result in lower income and higher loan losses, although the impact was hard to quantify.

Winters also downplayed speculation he could leave the bank soon after a flurry of changes in leadership at European banks.

StanChart also announced plans to buy back a further US\$500m of stock having recently completed a US\$1bn share buyback, its first since 2002. It said this will lower its common equity Tier 1 ratio by about 20bp, which stood at 13.8% at year-end. The bank said it could return more surplus capital to shareholders when the sale of its Permata business in Indonesia is completed.

THOMAS BLOTT, STEVE SLATER

Who’s moving where...



■ **JP MORGAN** has appointed *Filippo Gori* as Asia Pacific CEO. Gori retains his current positions as head of banking for APAC and CEO of Hong Kong. He reports into Mary Erdoes, CEO for asset and wealth management, and Daniel Pinto, the corporate and

investment bank CEO and the bank’s co-president and co-chief operating officer. Gori replaces Nicolas Aguzin, CEO of the international private bank. Gori replaced Aguzin as APAC head of banking last year when Aguzin was appointed to his current position.



■ **Veteran** investment banker *Kefei Li* has joined **HAITONG INTERNATIONAL** as co-head of investment banking, according to people familiar with the situation. Li started last week and works alongside co-head Sean Huang. Prior to joining Haitong, Li worked

at Deutsche Bank for four years, lastly as chairman of Asia Pacific equity capital markets. A spokesperson from Haitong confirmed Li’s appointment and said his hiring is expected to expand the bank’s global client coverage.

Global stocks tumble on coronavirus fears

Stocks across the globe tumbled last week and US Treasury yields hit record lows as traders fretted over the economic impact of the spreading coronavirus.

On Wall Street, major indexes were set for their steepest weekly pullback since the global financial crisis more than a decade ago as new infections outside China raised fears of a pandemic.

"Markets have come to realise that the outbreak is much worse and are now realistically pricing in the impact of the virus on the economy," said Philip Marey, senior US strategist at Rabobank. "In that sense, it's a bit of a catching up from the relative optimism that was there in the beginning when markets thought (the virus) will be contained to China with some minor outbreak outside."

Industry analysts and economists continued to sound the alarm as they assessed the fallout of the coronavirus outbreak, with Goldman Sachs saying US firms will generate no earnings growth in 2020.

Bank of America slashed its global growth forecast to the lowest since the peak of the financial crisis.

Last Thursday, the Dow Jones Industrial Average plunged 1,190.95 points or 4.4%, following a 7% drop from Monday to Wednesday. The pan-European STOXX 600 index lost 3.75%, while Japan's Nikkei lost 2.13%.

The dollar fell as Treasury yields continued to plummet to new lows and investors bet that the US Federal Reserve

would cut interest rates to offset the impact of the spreading coronavirus.

"Safe-haven currencies are doing very well and gold is heading back higher, and unless we see a slowdown in the coronavirus cases outside China, risk sentiment will continue to be undermined," said Peter Kinsella, global head of FX strategy at UBP in London.

The dollar index fell 0.747%, with the Japanese yen up 0.57% versus the greenback at 109.79 per dollar.

CHINA BUBBLE

In contrast, China's blue-chip CSI300 index finished up 0.3% on Thursday as data showed the infection rate in the world's most populous nation appeared

"The economy has stalled for two months, and companies' first-quarter earnings will be ugly. Why on earth are stocks trading at such a level?"

to be slowing. Sellers took hold on Friday, however, driving the index down 3.55%.

China has injected massive funds into the banking system, cut interest rates and encouraged lenders to extend cheap loans to limit the financial fallout from the coronavirus epidemic, which has hit businesses hard, from retailers to manufacturers.

The CSI300 index is still up 6.8% from its close on February 3, when Chinese stocks tumbled after an extended Lunar New Year break, while Shenzhen's tech-heavy start-up board ChiNext has jumped 14.7%, triggering fears of a repeat of the boom

that preceded the 2015 market crash.

"This is already a bubble. It's a game of the greater fool," said Shen Shikai, an investor who has been managing money pooled from his friends for over a decade.

"The economy has stalled for two months, and companies' first-quarter earnings will be ugly. Why on earth are stocks trading at such a level?"

ChiNext is trading at 51 times last year's earnings, up from roughly 30 a year ago and 47 at end-2019. In New York, the Nasdaq is trading at 26.5 times trailing earnings, according to Refinitiv data. Fan Huang, head of wealth management at Deutsche Bank in China, said the central bank's monetary easing was "directly contributing to investors' speculative activities".

In a February 24 blog post, he urged investors not to forget the lessons of the 2015 market meltdown. That crash wiped more than US\$5trn in capitalisation off the Shanghai and Shenzhen markets, with ChiNext losing half its value within months.

Li Shoushuang, a capital markets lawyer at Dentons, called on the government to cool the market by introducing a capital gains tax on share trading, something Beijing has always avoided.

"China's stock market is not a barometer of economic health. Rather, it's a barometer of liquidity," he said.

Some investors, however, believe the rally has solid footing, based in part on an expected innovation boom in 5G, the fifth-generation wireless technology.

"If you look through the lens of China's great economic transformation over the next three to 10 years, you'll realise we're just at the starting point of a big bull (market)," said Wen Xunneng, a Shanghai-based hedge fund manager. "Don't fight the trend."

REUTERS

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■ **NATIXIS** has hired Aurelien Lasjunies as Asia Pacific coverage head within its corporate and investment banking division. Lasjunies joins from Credit Agricole, where he was most recently co-head of investment banking for APAC. He has also worked

at boutique advisory firms Goetzpartners and Leonardo & Co as well as Deloitte. He reports to Bruno Le Saint, head of banking activities in APAC, and globally to Damien Cleris and Guillaume de Saint-Seine, global co-heads of coverage, in his new role. He is based in Hong Kong.



■ Lyndon Hsu, a veteran of the Asian leveraged finance market, has left **STANDARD CHARTERED** after a two-and-a-half-year stint. Hsu was the Singapore-based global head of leveraged and structured solutions. He joined StanChart in July 2017.

Hsu left at the end of January and is said to be taking a break for a few months. Earlier, Hsu had worked for HSBC as head of leveraged and acquisition finance for Asia Pacific. Before HSBC, he was with Credit Suisse.

Australia plots climate stress tests

Australia has become the latest country to introduce stress tests to measure the impact of climate change on the country's major banks.

Geoff Summerhayes, executive board member of the Australian Prudential Regulation Authority, wrote last Monday in a letter to all APRA-regulated entities that the assessments would look at the impact of climate change, including extreme weather events, on banks' balance sheets, as well as the risks that might arise from the global transition to a low-carbon economy.

APRA will design the assessment this year and carry out a review of the country's lenders in 2021 with other companies such as insurance firms and superannuation funds to follow afterwards.

It said it would coordinate this work with the Australian Securities and Investment Commission and the Reserve Bank of Australia as well as seek input from the Commonwealth Scientific and Industrial Research Organisation and the Bureau of

Meteorology.

While details at this stage remain sketchy, several market observers anticipate that Australia's top banking regulator will borrow from similar climate change stress tests introduced elsewhere, most notably in the UK.

Several analysts said APRA is unlikely to publish individual findings given that it only publishes stress test results at an aggregate level currently.

The Bank of England detailed plans in December to test the impact of climate change on asset prices and business models under three different scenarios involving varying degrees of average temperatures rises.

The major UK banks that take part in the

current annual stress tests will be included in the new scheme along with several insurers.

The BoE plans to publish its findings next year. There will be no pass or fail marks and the central bank only plans to publish industry-wide results, at least to begin with.

It said that the proposals were not designed to require banks to hold more capital, although it did not rule out sanctioning individuals and asking banks to hike capital ratios if it deemed necessary.

Several analysts said APRA is unlikely to publish individual findings given that it only publishes stress test results at an aggregate level currently.

Most analysts also said they do not expect the banks will be required to raise more capital. However, one pointed to rules introduced by APRA in 2016 as evidence this could change if the regulator found the banks were particularly susceptible to climate-related risks. At that time, APRA required the four majors – **AUSTRALIA AND NEW ZEALAND BANKING GROUP, COMMONWEALTH BANK OF AUSTRALIA, NATIONAL AUSTRALIA BANK** and

Goldman pleads not guilty over 1MDB

Three **GOLDMAN SACHS** units charged in Malaysia over their alleged role in the 1MDB money-laundering scandal have pleaded not guilty.

Bernama state news agency reported that a representative for the US investment bank entered a not guilty plea after the charges were read out at the Kuala Lumpur High Court last Monday.

The court set the trial for November, with hearings slated to last until April 2021, Bernama reported.

Malaysian prosecutors filed charges in December 2018 against the three units, based in London, Hong Kong and Singapore, for misleading investors by making untrue statements when arranging US\$6.5bn in three bond offerings for 1MDB.

Last year, Malaysia also filed charges against 17 current and former Goldman employees including Michael Sherwood, Goldman's previous vice-chairman, and John Michael Evans, who is also an ex-vice chairman and is currently president of Alibaba.

Goldman has previously said that the charges were misdirected and has consistently denied wrongdoing. The bank declined to comment when contacted by IFR.

The US Department of Justice has said about US\$4.5bn was misappropriated from 1MDB, including some money that Goldman helped raise, by high-level officials of the fund and their associates from 2009 through to 2014.

Tim Leissner, a former Goldman partner responsible for managing the relationship with 1MDB when the fund hired Goldman to arrange the bonds issued between 2012 and 2013, pleaded guilty to charges in the

Who's moving where...



■ **CREDIT SUISSE** has promoted *Phineas Glover* to head of environmental, social and governance equity research for Asia Pacific. Glover, who will continue to be based in Sydney, was previously head of ESG research for Australia, having joined from

Macquarie Group two years ago. He reports to Erica Poon Werkun, APAC head of equity research, and to Paul Buys, head of equity research for Australia. He was previously head of ESG equity research for Australia at Macquarie, a position he held for just over a year.



■ **STANDARD CHARTERED** has hired *Kahina van Dyke* as global head of digital channels and client data analytics in its corporate, commercial and institutional banking division. Based in Singapore, she reports to Simon Cooper, chief executive

of corporate, commercial and institutional banking. Van Dyke joins from Ripple, the blockchain-based payments company, where she was senior vice president for business and corporate development, based in San Francisco.

WESTPAC BANKING CORP – plus **MACQUARIE BANK** to raise average risk weightings on residential mortgages to 25% after stress tests in 2014 illustrated their vulnerability to a housing market collapse.

APRA also said it intends to develop and consult on a climate change financial risk prudential practice guide. This will outline the regulator's views on the management of climate change financial risks including governance, risk management and disclosure.

APRA said it will consult on the guide by the middle of this year and, subject to feedback, publish final guidance by year-end.

"The planned vulnerability assessment is credit positive for Australian banks as it will improve their expertise in analysing and their understanding of climate-related financial risks," said Frank Mirenski, vice president and senior credit officer at Moody's. "Furthermore, the prudential practice guide should improve the quality and consistency of climate-related financial disclosures."

THOMAS BLOTT

US of conspiring to launder money and conspiring to violate the Foreign Corrupt Practices Act.

Another former Goldman banker, Roger Ng, pleaded not guilty to conspiring to launder money and bribe government officials in Malaysia and Abu Dhabi through bond offerings that Goldman handled.

Goldman is currently in talks with the US government and a state regulator to possibly pay up to US\$2bn to resolve investigations into its role in the 1MDB scandal. The bank set aside an extra US\$1.1bn for a potential settlement in the fourth quarter.

THOMAS BLOTT

HKEx trading volumes slump

HONG KONG EXCHANGES AND CLEARING reported a drop in trading volumes in 2019 following the recent macroeconomic uncertainty, although chief executive Charles Li said that volumes had started to rebound during the first quarter even as the coronavirus ravaged financial markets.

"I think the business itself, the operation itself, has been very sound, very resilient. Volume has been very strong and in fact the first month and a half, we have seen very strong recovery in volume," Li told reporters during an earnings briefing last Wednesday.

"The big question is how long is it going to last ... and ultimately what impact it's going to have on the economy. Those are still big questions that we don't have the answers for."

Li added that he was "reasonably confident" that most companies would still be able to publish their annual reports by the March 31 deadline despite concerns that auditors were unable to complete their work in time due to the virus outbreak.

The Hong Kong bourse, in conjunction with the securities regulator, announced earlier this month that it would allow companies that were unable to do so to continue to trade under certain circumstances.

"Ultimately, the key test is whether there is going to be orderly trading with or without the annual report," Li said. "So far, at this point, I think we're ready to be accommodating in cases where needed and appropriate, but otherwise the broader market is pretty much ready to carry on business as usual."

Li's comments come as HKEx recorded a 1% profit rise in 2019 to HK\$9.39bn

(US\$1.21bn). This was on the back of a 3% increase in revenues to HK\$16.31bn.

Average daily turnover for cash products on the exchange was down 19% to HK\$87.2bn as anti-government protests in Hong Kong and US-China trade friction weighed on investor sentiment.

Total northbound turnover through Stock Connect more than doubled last year to Rmb9.76trn (US\$1.39trn) following the increase in weighting of A-shares in MSCI's key emerging markets index.

But southbound volumes dipped slightly to HK\$2.48trn from HK\$2.83trn a year earlier despite the inclusion of companies with weighted voting rights in the trading link towards the end of the year.

"I don't think we have any specific reasons to know why it's down or up. We think this two-way traffic is going to be extremely dynamic in terms of back and forth movement," Li said.

"I think on the southbound last year, obviously Hong Kong was having a tough year. Whether or not that factored into the southbound slight decline, I'm not sure."

Meanwhile, total full-year trading volumes via Bond Connect almost trebled to Rmb2.63trn on the back of the inclusion of Chinese government and policy bank bonds in the Bloomberg Barclays Global Aggregate index.

New listings last year were up 9% to HK\$314.2bn, the highest amount raised in a single year since 2010, following several banner deals including Alibaba Group's HK\$101bn secondary listing and Budweiser Brewing Company APAC's HK\$45bn IPO.

THOMAS BLOTT

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■ **CITIGROUP** has promoted *Jack Paris* and *Phillip ten Bosch* to co-heads of global power investment banking in its banking, capital markets and advisory division. Ten Bosch was previously head of power investment banking for Asia Pacific and Europe,

the Middle East and Africa, while Paris had the same position for North America. Their appointments were part of a major reshuffle announced by the US bank following on the heels of Peter Babej's appointment as Asia Pacific CEO at the end of last year.



■ **KOREA DEVELOPMENT BANK** has promoted *Park Woong-chan* to be the global head of its project finance division. The role covers responsibility for three departments. One is project finance department 2, which he previously headed. PF2 is responsible for the power and

energy utility plants. The new head of this department is *Choi Seungho*. Another department, PF3, which covers shipping, aviation and real estate, also has a newly appointed head, *Choi Wonhan*. PF1, which covers transport and other sectors, will remain under *Ko Seokbae*.

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JP Morgan adds China bonds to EM index

JP MORGAN was due to begin adding Chinese government bonds to its flagship emerging markets index after the US close on February 28, the start of a rebalancing that is expected to trigger billions of dollars of foreign investor inflows into the onshore Chinese market.

The US investment bank said in September it would begin adding nine local currency bonds to its Government Bond Index-Emerging Markets suite of products over a 10-month period, beginning in February.

The weighting of Chinese bonds will increase 1% each month. Upon completion, China will account for 10% of JP Morgan's main emerging markets index, GBI-EM

Global Diversified, the maximum amount allowed.

HSBC said in an earlier report that inclusion in the index would bring US\$22bn worth of inflows to China.

JP Morgan is the second major index provider to begin adding Chinese government bonds to its major fixed-income indexes. In April last year, Bloomberg Barclays began adding 356 Chinese government and policy bank bonds into its Global Aggregate index. The inclusion is being phased over a 20-month period.

In September last year, FTSE Russell, the third major index provider, declined to add Chinese government bonds to its World Government Bond Index following its annual review, in a surprising move.

FTSE Russell did not provide a reason for its decision, although it noted that China "continues to make demonstrable progress towards meeting the criteria" for inclusion in WGBI.

China has been pushing for the inclusion

of its onshore debt in the three major fixed-income indexes for some time and has taken a number of steps in recent years to address concerns about investor access, for example introducing delivery-versus-payment settlement for the Bond Connect trading link with Hong Kong and clarifying taxation rules.

Ming Leap, associate director for fixed income at HSBC Global Asset Management, welcomed the decision by JP Morgan to begin adding Chinese government bonds to its benchmark index.

"We're currently seeing value in Chinese sovereign and policy bank notes, valuations of which are more attractive than those of developed markets," he said.

"With the expectation for accommodative policies ahead and a potential normalisation of the inflation rate, we see the current steeper bond yield curve as an opportunity to extend duration within investment grade."

THOMAS BLOTT

China lets banks trade bond futures

China has said it will allow banks and insurers to participate in bond futures trading for the first time, the latest step to reform its financial markets.

The country's top five banks –

AGRICULTURAL BANK OF CHINA, BANK OF CHINA, BANK OF COMMUNICATIONS, CHINA CONSTRUCTION BANK and **INDUSTRIAL AND COMMERCIAL BANK OF CHINA** – will participate in a pilot scheme for treasury bond futures trading initially, China's securities regulator, which oversees the market, said on its website.

Currently, investors such as brokerages and fund houses are allowed to trade bond futures, but the market is off-limits to banks, the biggest holders of Chinese government bonds.

China is accelerating interest rate reforms, having revamped its benchmark lending rates, and has vowed to introduce more derivatives to help banks hedge against interest rate risks.

It is also opening up its bond market to foreign investors, who have been complaining about a shortage of effective hedging tools.

"This is a giant step toward interest rate liberalisation," said Liu Wencai, founder of risk-management consultancy D-Union.

Compared with the interbank derivatives market, China's bond futures market is more liquid and transparent, providing a much-needed hedging tool for banks, Liu said.

The participation of banks, which are the dominant bond investors in China, will boost the liquidity of the bond futures market, while "creating a meaningful yield curve", he said.

The China Securities Regulatory Commission said on February 21 that the market will be open to qualified banks, and insurers with investment capabilities.

This will help such institutions to better manage their bond portfolios, while also diversifying the investor structure in the bond futures market.

Khiem Do, head of Greater China investments at Barings, said creating more liquidity was positive for all financial industry participants, including banks, insurers, pension funds, wealth managers and even arbitrage traders.

SAMUEL SHEN, NOAH SIN

IN BRIEF

People's Bank of China More support for virus-hit economy

China's central bank will take further steps to support its economy following the outbreak of the coronavirus, including releasing more liquidity and lowering funding costs for companies, a vice governor of the bank told state media. The People's Bank of China will guide market interest rates lower, Liu Guoqiang, the bank official, told the Financial News in an interview. "China's monetary policy space is still very

sufficient, and the toolbox is also sufficient. We are confident and able to offset the impact of the epidemic," Liu told the newspaper.

The coronavirus and widespread transportation lockdowns put in place to contain it have caused significant disruptions to economic activity in China, with smaller, private firms particularly vulnerable.

"In the near future, there will be dynamic adjustments in targeted RRR [reserve requirement ratio] reductions for inclusive financing. More qualified banks are expected

to enjoy preferential policy support, as more liquidity will be released into the banking system," Liu said.

In January 2019, the central bank released about Rmb250bn (US\$35.58bn) in additional cash to banks, due to changes in assessments for banks' targeted RRR reductions announced in 2018. But Liu reiterated that the central bank will not resort to "flood-like" stimulus.

Analysts widely expect further monetary and fiscal support measures in coming weeks, while stressing the main near-term policy challenge will be finding ways to keep companies afloat until demand recovers.



Anbang Insurance Group No longer under CBIRC ownership

China's banking and insurance regulator said on February 22 it has brought to a close its ownership of **ANBANG INSURANCE GROUP**, with a new batch of strategic investors in the revamped entity **DAJIA INSURANCE GROUP** on board.

The Chinese government took control of high-flying Anbang in February 2018, as part of a sweeping campaign to reduce financial risk in the aftermath of a massive asset-buying spree by a handful of private sector conglomerates. Dajia Insurance Group, a new company formed to take over assets from Anbang, will remain privately owned, the China Banking and Insurance Regulatory Commission said in a statement, without revealing the names of the new investors.

"As Dajia Insurance is now capable of operating as normal, the CBIRC now claims to end its takeover by law," the regulator said. Chinese authorities sentenced Anbang's ex-chairman Wu Xiaohui to 18 years in prison for fundraising fraud and embezzlement. It speeded up asset sales of Anbang after the takeover "to limit the losses caused by the illegal activities of Wu", the CBIRC said.

Some Rmb1.5trn (US\$213bn) of risky, short-term insurance previously sold by Anbang has all been paid out without missed payments or defaults, it added, while most of the non-core financial assets under Anbang Group have been divested.

Qualitas A\$1bn sustainable build-to-rent fund

Australian real estate investment manager **QUALITAS** is launching a A\$1bn (US\$661m) fund to finance construction and management of energy efficient, build-to-rent, residential buildings.

The new Qualitas Build-to-Rent Impact Fund is Australia's first property debt fund to incorporate minimum sustainability investment criteria, as well as the country's first dedicated BTR debt vehicle, the company said last Monday in a press release.

The fund has obtained a cornerstone investment of up to A\$125m from Australian government-backed Clean Energy Finance Corp.

Qualitas has already set aside over A\$700m in loans for five projects.

It believes the fund will help fill a financing gap for the BTR sector due to tight capital constraints on traditional banks.

The fund will finance housing that meets sustainability standards and reduces greenhouse gas emissions by at least 35% compared with the current building code.

The fund will provide loans of up to seven years at a loan-to-value ratio of up to 70%.

To qualify for QBIF finance, projects must achieve minimum sustainability standards, including a seven-star average rating from the Nationwide House Energy Rating Scheme and a five-star Apartments Energy rating from the National Australian Built Environment Rating System, as well as criteria for appliances and rooftop solar generation.

Qualitas invests across the capital structure in senior and mezzanine debt, preferred equity and equity.

MUFG Bank Partnership with Grab in South-East Asia

MUFG BANK, the commercial banking arm of Mitsubishi UFJ Financial Group, will invest up to US\$706m in ride-hailing app **GRAB** as part of plans to jointly offer financial services in South-East Asia.

Grab, backed by SoftBank Group, said it will use the funding to offer lending, insurance and wealth management products and services to South-East Asian consumers and small and

medium-sized enterprises.

Under the partnership, Grab will confer on MUFG the status of first choice bank and will work with the Japanese megabank to better tailor financial services based on their combined data.

Separately, Grab also said that Japanese IT company **TIS** is investing US\$150m in the company.

MUFG has been expanding aggressively in South-East Asia to offset a stagnant domestic banking market. Last April, it acquired a majority stake in Indonesia's Bank Danamon, the country's fifth largest bank by assets. It also holds a controlling stake in Bank of Ayudhya in Thailand as well as minority stakes in Vietnam's VietinBank and Security Bank of the Philippines.

President Securities Gets regulatory sign-off on China JV

China's securities regulator has given the go-ahead for Taiwan's **PRESIDENT SECURITIES** to set up a securities joint venture in mainland China.

State-owned **XIAMEN FINANCIAL INVESTMENT GROUP** will be the Chinese partner with a 51% stake, while President Securities will own 49%, the official Chinese news agency Xinhua reported.

The JV will be based in Xiamen, in Fujian province, and will engage in stock brokerage, proprietary trading and securities underwriting. It will have initial capital of Rmb1.2bn (US\$171m).

The new entity is expected to receive final sign-off in around six months.

China significantly liberalised the rules on Sino-foreign securities JVs two years ago, allowing foreign banks to acquire majority stakes for the first time.

In October, the China Securities Regulatory Commission announced plans to scrap the current 51% ownership limit and allow foreign firms to acquire full ownership of their JVs by December 2020.

AUSTRALIA

DEBT CAPITAL MARKETS

› QUEENSLAND SECURES BROAD DEMAND

QUEENSLAND TREASURY CORP (Aa1/AA+/AA) attracted broad-based demand for last Wednesday's A\$1.25bn (US\$825m) sale of 1.75% July 20 2034 bonds, which will pre-fund the state funding arm's fiscal year 2020-2021 debt financing requirement.

Citigroup, Deutsche Bank and Westpac were joint lead managers for the bonds which priced at 99.872 for a yield of 1.76%, within 82.5bp–86.5bp guidance at EFP (10-year futures) plus 85bp, equivalent to 64.9bp over the June 2035 ACGB.

Australian accounts were allocated 75%, EMEA 12% and Asia 5%, while US investors bought 8% of the 144A eligible offering.

Asset managers and insurance companies took 63%, bank balance sheets 16%, official institutions 9%, trading desks 6% and hedge funds 6%.

The 14.5-year print followed hot on the heels of QTC's A\$1.5bn 4.75-year (November 21 2024) floating-rate note sale on February 19 that completed the state's A\$9.9bn 2019-2020 funding requirement.

› TCorp OPENS 2033 LINE FOR A\$1BN

NEW SOUTH WALES TREASURY CORP completed its first domestic syndicated sale of the calendar year last Thursday, raising A\$1bn from a new 13-year bond line via joint leads CBA, NAB and UBS.

The 2.00% March 8 2033s priced at 105.097 to yield 1.565%, in the middle of 68bp–72bp guidance at EFP (10-year futures) plus 70bp and 61.75bp over the April 2033 ACGB.

The Aaa/AAA rated semi-government came 15bp tighter than the 85bp EFP margin for Queensland's July 2034s issued a day earlier which has a 16-month longer tenor and one notch lower ratings from Moody's and S&P of Aa1/AA+.

The TCorp bond received bids of A\$2.071bn at the final price and had a high 28% offshore allocation with European and UK investors taking 16% and Asia 12%. Asset managers bought 76% of the bond, bank balance sheets 18%, bank trading 4% and official institutions 2%.

Fiona Trigona, head of funding and balance sheet at TCorp, said: "This issuance

is a positive result for TCorp and means that we have now raised 90% of our [A\$17.0bn] annual borrowing programme. We're absolutely delighted that we have attracted new investors, further diversifying our investor base."

TCorp's previous local syndicated transaction was a record-equalling A\$1.8bn 1.25% March 20 2025 sustainability bond sale in November 2019.

It subsequently made its euro market debut on February 14 with a €60m 0.609% 30-year Eurobond.

› NAB CAPITAL NOTES 4 NETS A\$1.95BN

NATIONAL AUSTRALIA BANK (Aa3/AA–/AA–) has set the margin at the lower end of three-month BBSW plus 295bp–315bp guidance for its perpetual non-call 7.5-year (September 17 2027) Additional Tier One retail note offer, **NAB CAPITAL NOTES 4**.

The size of the note has been increased from the indicative A\$750m to at least A\$1.95bn following a successful bookbuild.

The deal includes a reinvestment offer for holders of NAB Capital Notes issued on March 23 2015 that will be repurchased on March 23 this year.

The offer opened last Tuesday and is expected to close on March 17. S&P has assigned a BBB– rating to the subordinated note.

NAB is arranger of the offer and joint lead manager with Morgan Stanley, Morgans, Ord Minnett, UBS and Westpac.

NAB paid a three-month BBSW plus 400bp margin for the perpetual non-call 7.5-year NAB Capital Notes 3 offer a year ago, which raised A\$1.65bn after the bookbuild and ultimately around A\$1.874bn.

› TOYOTA AUSTRALIA TAPS FOR A\$75M

TOYOTA FINANCE AUSTRALIA, rated Aa3/AA– (Moody's/S&P), has tapped its 1.3% February 17 2023 note for A\$75m, taking the amount outstanding to A\$400m.

ANZ was sole lead for the reopening, which priced at 100.21 for a yield of 1.2925%, 65bp wide of asset swaps.

The initial A\$325m three-year sale on February 11 priced to yield 1.3903%, 66bp wide of asset swaps.

› PACIFIC NATIONAL LOOKS OFFSHORE

PACIFIC NATIONAL HOLDINGS has mandated ANZ, Bank of China, Credit Suisse, Mizuho and Westpac to arrange an Australian, London and Asian

roadshow from March 2 for a US dollar or sterling-denominated Reg S, fixed-rate, senior unsecured 10-year bond offering.

Last September the rail freight operator, rated BBB–/BBB– (S&P/Fitch), issued a A\$450m 10-year MTN following a similar Australian, Asian and UK roadshow for an Australian dollar, Reg S US dollar or sterling benchmark.

Pacific National Holdings has an outstanding US\$600m 4.625% September 23 2020 Eurobond which matures in seven months.

› WESTLINK MARKETS LOCAL MTN

WSO FINANCE, the financing entity for Westlink Motorway Group rated A3/A– (Moody's/Fitch), has mandated CBA and Westpac to arrange investor meetings beginning March 10 for a potential 10-year or longer Australian dollar note offering.

In March 2017, WSO Finance raised A\$535m from a dual-tranche MTN offering comprising A\$435m 10-year and A\$100m 10.5-year notes.

STRUCTURED FINANCE

› COLUMBUS CONFIRMS FLATTER CURVE

COLUMBUS CAPITAL underlined the recent flattening of the RMBS credit curve with last Friday's upsized A\$1bn (US\$655m) **TRITON 2020-1** prime sale.

NAB was arranger and joint lead manager with Standard Chartered Bank and Westpac for the transaction which was increased from an indicative A\$500m issue size.

The A\$200m Class A1-MM notes with a 0.4-year weighted-average life priced in line with one-month BBSW plus 75bp guidance.

The A\$500m Class A1-AU and A\$150m Class A1-5Y notes, with respective 2.8 and 5.0-year WALs, priced 125bp and 141bp wide of one-month BBSW versus 120bp–125bp and 140bp area guidance.

The A\$70m Class A2 notes with a 4.3-year WAL priced at the tight end of one-month BBSW plus 140bp–150bp guidance.

The A\$28m Class AB, A\$21m Class B and A\$15m Class C notes, all with 4.3-year WALs, priced 160bp, 185bp and 245bp over one-month BBSW.

Pricing was not disclosed for the Class D, E or F notes.

The non-bank lender issued three RMBS in 2019, the last being the similarly enlarged A\$1bn Triton 2019-3 on November 1.

The 2019-3 Class A1-AU, A1-5Y, A2, AB,

B and C notes priced 120bp, 150bp, 160bp, 180bp, 205bp and 250bp over one-month BBSW.

While the 2019-3 Class A1-AU coupon is 5bp tighter than the latest Columbus RMBS, the A1-5Y to C notes priced 9bp wider, 20bp wider, 20bp wider, 20bp wider and 5bp wider than the new equivalent tranches, respectively.

▶ PEPPER HITS THE ROAD

PEPPER GROUP has mandated CBA, NAB and Westpac for a potential non-conforming Australian dollar RMBS offering following investor meetings in Sydney on March 4 and Melbourne over the following two days.

Last October the non-bank lender issued the A\$750m-equivalent no-grow, non-conforming RMBS Pepper Residential Securities Trust No 25 (PRS 25), which included a US dollar and a green euro tranche.

SYNDICATED LOANS

▶ HEALTHE CARE FLEXES PRICING

Healthe Care Australia is flexing the pricing on portions of its A\$735m (US\$482m) multi-tranche financing for its subsidiaries.

A A\$245m five-year senior tranche for HEALTHE CARE SURGICAL and a A\$285m five-year first-lien term loan for HEALTHE CARE SPECIALTY is now offering interest margins of 475bp over BBSY each from 425bp earlier when the deal was launched last November.

A A\$80m mezzanine piece of Healthe Care Surgical is guided at 10.5%, and a A\$105m 5.5-year second-lien term loan for Healthe Care Specialty at 800bp over BBSY.

The financing for the latter also includes a A\$10m capex tranche and a A\$10m revolving credit facility.

Goldman Sachs is underwriting the facilities for the companies owned by China's Luye Medical Group.

Healthe Care Surgical operates hospitals and day surgeries, while Healthe Care Specialty runs mental health and rehabilitation hospitals as well as oncology and cardiology centres.

Luye Medical Group, part of China's Luye Life Sciences Group, has repaid outstanding loans of about A\$295m that funded its acquisition of private hospital operator Healthe Care Australia in 2016.

ANZ, DBS Bank, Industrial and Commercial Bank of China, National Australia Bank and Westpac Banking Corp were the lenders.

Healthe Care operates 34 private hospitals and facilities across Australia and New Zealand with more than 2,500 hospital beds, according to its website.

▶ ICHTHYS SPONSORS EYE REFI, REPRICING

French oil and gas giant Total and Japan's Inpex Corp have appointed Citigroup as adviser for the refinancing and repricing of loans for the ICHTHYS LIQUEFIED NATURAL GAS project in Western Australia.

The sponsors are considering a 8.5 year loan from commercial banks for refinancing, and looking to reprice a loan from export credit agencies.

A Tokyo-based spokesperson for Inpex declined to comment.

In August 2017, Total raised a US\$1.8bn sponsor loan for the LNG project, after completing a repricing exercise in June the same year for US\$3bn in project level debt.

ANZ and BNP Paribas coordinated the repricing of the US\$3bn facility with most of the existing lenders stepping up to increase their commitments.

The US\$3bn facility matures in December 2028 and offers an interest margin of 95bp over Libor. Mandated lead arrangers and bookrunners were paid a 60bp fee, MLAs received 55bp and lead arrangers earned 50bp.

In June 2017, Total also refinanced a US\$600m 12.5 year loan (tranche 1) and reset the margins for a US\$1.2bn 12.5 year loan (tranche 2) and a US\$1.2bn subordinated piece (tranche 3). The tranches were part of a US\$20bn project financing closed in December 2012.

The Ichthys LNG project, which began production in July 2018, is located in the Browse Basin, 220km offshore Western Australia and 820km south-east of Darwin.

▶ EMECO WEIGHS REFINANCING OPTIONS

EMECO HOLDINGS is weighing several debt refinancing options for its US dollar bonds, which are callable on March 31, the mining services company said in a filing with the Australian Securities Exchange on Tuesday.

According to Refinitiv data, the 9.25% March 31 2022s 144A/Reg S bonds, rated B1/B+ (Moody's S&P), issued in 2017 as five-year non-call threes, have an outstanding amount of US\$322.1m and were last quoted at 104.875 on the bid side to yield 6.71%.

Emeco's ASX filing said a column in The Australian newspaper that it was planning to refinance the bonds via a dual-tranche bond of about A\$350m in Australia and about US\$300m in the US was inaccurate and premature with regard to the type, size and cost of debt being considered.

The report had said UBS and JP Morgan were the leads on the new bond, which was expected to yield about 6% or 7%.

On February 13, S&P upgraded Emeco's rating to B+ from B with a stable outlook, following Moody's, which had raised the

company's rating to B1 from B2 with a stable outlook in January.

▶ WHITEHAVEN COAL EXTENDS MATURITY

WHITEHAVEN COAL has completed a A\$1bn refinancing with a group of existing and new lenders.

Bank of China, ICBC Bank, Mizuho Bank, National Australia Bank, Sumitomo Mitsui Banking Corp and Westpac Banking Corp were the mandated lead arrangers and bookrunners for the new senior revolving credit facility, which matures in July 2023.

Bank of Communications, CAT Finance, China Everbright Bank, Credit Suisse, Deutsche Bank, and MUFG Bank also participated, while NAB acted as the agent.

The facility offers interest margins of 200bp–400bp over BBSY, which are tied to Whitehaven Coal's net debt-to-Ebitda ratios.

Grant Samuel acted as the financial adviser to Whitehaven Coal on its latest transaction, which also includes four-year bilateral credit support facilities, according to a media release.

The company had drawn A\$550m of its senior debt, A\$424.3m of bank guarantees and A\$22.4m of an export credit agency facility as at December 31, according to its half-year financial results announced on February 20.

In August 2017, the company had extended a A\$1bn portion of a A\$1.4bn borrowing by two years to July 2021. The latest refinancing extends that maturity by two years.

ANZ, MUFG Bank, NAB and Westpac were the MLAs for the facility, which offered a margin, calculated on a leverage ratio, of 200bp over BBSY, and an extension fee of 20bp per year.

BOC, BoCom, SMBC joined as MLAs in the 2017 A&E exercise, while CAT Finance, Credit Suisse, DB, JP Morgan and Metrics Credit Partners were lead managers, according to Refinitiv LPC data.

In June 2015, the A\$1.4bn four-year loan offered an opening margin of 250bp over BBSY linked to a leverage grid, and a top-level fee of 90bp.

▶ TOOWOOMBA BYPASS CLOSES REFI

TOOWOOMBA BYPASS public private partnership has raised a A\$400m five-year loan from three banks for refinancing, Plenary Group, the financial adviser and equity investor in the project said in a press release on February 20.

ANZ Bank, Commonwealth Bank of Australia and Westpac Banking Corp are the lenders of the new loan, which fully refinances the earlier debt.

The A\$1.6bn project, formerly known as

the Toowoomba Second Range Crossing, is a 41-kilometre bypass that runs to the north of Toowoomba, in Queensland state, from Warego Highway to Fore Highway via Charlton. The bypass fully opened to traffic in September 2019.

In 2015, the Plenary-led Nexus consortium reached financial close on the project. ING Bank, Intesa Sanpaolo, National Australia Bank and Westpac provided a five-year project loan of about A\$400m on a club basis.

The consortium, which also includes Acciona, Cintra and Broadsppectrum, won a concession from the Queensland government to design, build, finance and maintain the project for 25 years.

SPARK RAISES IN BILATERAL LOANS

SPARK INFRASTRUCTURE has raised A\$400m through three-year bilateral loans from existing and new lenders, according to the company's financial results released last Tuesday.

China Construction Bank, Commonwealth Bank of Australia, MUFG, Mizuho Bank, Sumitomo Mitsui Banking Corp and Westpac Banking Corp provided the facilities, which mature in February 2023.

Signed on Tuesday, the new bilateral loans replace existing facilities of A\$120m and provide funding for Bomen Solar Farm in New South Wales and other potential projects, including some major ones under TransGrid's Integrated Systems Plan for New South Wales.

The ISP is a 20-year strategy to transition Australia's current coal-fired energy generation capacity towards renewables.

In April last year, ASX-listed Spark acquired the 120MW Bomen Solar Farm, which is due to be completed next month and fully operational by the second quarter.

VIVA ENERGY REIT LENDERS REVIEW DEBT

The sale by Viva Energy Australia of its entire 35.5% stake in **VIVA ENERGY REIT** opens a 60-day period for the trust's lenders to review the continuation of existing debt facilities, according to a filing with the Australian Securities Exchange on February 21.

Such a review event is provided for in the debt facilities should Viva Energy Group's holding in Viva Energy REIT fall below 20%. Viva Energy Australia is part of the Viva Energy Group.

The review may lead to changes in the borrowing's terms, and should an agreement not be reached, the lenders may seek repayment no earlier than a further 120 days.

Viva Energy REIT has commenced consultation with its lenders, the filing says.

In June 2018, Viva Energy REIT completed a A\$60m fundraising via two separate

loans from an Australia-based international fund manager and an Australian industry superannuation fund. The unsecured facilities carried tenors of eight and 10 years and a weighted average life of 8.7 years.

Earlier in May that year, the borrower completed a A\$836.7m three-tranche loan. Bank of America, DBS Bank and National Australia Bank were the mandated lead arrangers of the borrowing which comprised a A\$200m three-year revolving credit facility, a A\$268m four-year term loan and a A\$368m five-year term loan. The interest margins tied to a gearing ratio.

EQUITY CAPITAL MARKETS

HOTEL PROPERTY SEALS PLACEMENT

ASX-listed **HOTEL PROPERTY INVESTMENTS** has completed a A\$30m (US\$19.7m) placement to partially fund the acquisition of two hotels.

The placement attracted strong demand from existing shareholders as well as new investors.

The company sold 9.3m new shares at

A\$3.23 apiece, representing a 4.7% discount to the last close of A\$3.39 on February 25.

It is also undertaking a security purchase plan for an additional A\$5m, allowing eligible shareholders to subscribe for up to A\$30,000 of shares.

Proceeds will be used to partly fund the purchase of two hotels in metropolitan Sydney and Brisbane for a total of A\$60m.

Shares of Hotel Property Investments closed down 4.4% at A\$3.24 last Thursday. The stock was up 2.5% in the year so far.

E&P Corporate Advisory and *JP Morgan* were the underwriters for the placement.

CHINA

DEBT CAPITAL MARKETS

ANTON OILFIELD LAUNCHES TENDER

ANTON OILFIELD SERVICES GROUP has launched an up to US\$100m tender offer for its

Hong Yang Group offers yield

Bonds Homebuilder prints US\$275m notes amid ample liquidity

Chinese homebuilder **HONG YANG GROUP**, rated B/B+ (S&P/Fitch), has raised US\$275m from a 9.875% 2.5-year bond priced at 97.861 to yield 10.875%, inside initial guidance of 11.25% area.

The deal received final orders of over US\$1.75bn. Asian investors took 97% and the rest went to EMEA. Fund managers bought 66%, private banks 26%, and banks and financial institutions 8%.

"It was a very good outcome against the macroeconomic backdrop of the coronavirus outbreak, with the issuance being slightly upsized from the planned US\$250m," said a banker on the deal. "Investors are still receptive in primary markets."

Wholly owned subsidiary Hong Seng is the issuer of the senior unsecured notes, while Hong Yang Group is the parent guarantor and Hong Kong-listed Redsun Properties Group is the subsidiary guarantor.

The bond priced based on a premium of around 150bp over the existing bonds of the listed subsidiary guarantor Redsun Properties, according to the banker. Nomura's trading desk saw fair value for the new issue at mid-10%, considering Redsun Properties' existing 2022s due in April and October are each trading at 8.8% and 9.3%.

The fat yield from the Single B rated

issuer, however, comes as the credit market benefits from ample liquidity in a low rate environment.

"It really depends on each individual name. It seems like Chinese property names are trading at 5% to 12% in secondaries," said another banker away from the deal.

Not all investors are participating in such transactions, with bigger asset managers being more selective.

"This kind of relatively small deals – they tend to be almost like a private placement," said an investor.

The Reg S issue has an expected rating of B+ by Fitch. The rating agency expects Hong Yang Group's Ebitda margin to narrow but remain healthy at 20%–23% this year as its high-margin Nanjing projects will provide support over the next 12 months. Fitch upgraded the group's rating from B in October last year.

Proceeds will be used to refinance debt.

China International Capital Corporation, Deutsche Bank, Guotai Junan International, UBS (B&D), AMTD, Barclays, CLSA, CMB International, Credit Suisse, Haitong International, ICBC International and Shenwan Hongyuan HK were joint bookrunners and lead managers.

JIHYE HWANG

outstanding US\$300m 9.75% notes due December 2020, according to a stock exchange filing.

Under the offer, it will pay US\$1,018.75 plus accrued and unpaid interest in cash for each US\$1,000 of the principal amount.

The deadline for the tender offer is March 4 and settlement is expected on March 9.

Nomura and Admiralty Harbour are joint dealer managers and DF King is information and tender agent.

The Hong Kong-listed Chinese oilfield services provider said the tender offer is part of its policy of actively managing its balance sheet liabilities and optimising its debt structure. It intends to finance the tender offer from internal funding.

BEIJING PROPERTIES SELLS THREE-YEAR

BEIJING PROPERTIES (HOLDINGS) has priced US\$600m three-year senior unsecured notes at par to yield 5.95%, inside initial guidance of 6.125% area.

BPHL Capital Management is the issuer and the Hong Kong-listed parent company is the guarantor. Beijing Enterprises Group, the ultimate parent of the Hong Kong-listed guarantor, is the keepwell and liquidity support deed provider.

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

Final statistics were not available at the time of writing but orders were said to be over US\$1.6bn ahead of the release of final guidance, including US\$920m from the leads.

Guotai Juman International, Credit Suisse, China Citic Bank International, CMB International, CCB International, Shanghai Pudong Development Bank Hong Kong branch, Industrial Bank Hong Kong branch, China Everbright Bank Hong Kong branch and DBS Bank were joint global coordinators. They were also joint lead managers and joint bookrunners with Silk Road International, Zhongtai International, Orient Securities (Hong Kong), CLSA, TF International, CMBC Capital, CMB Wing Lung Bank, China Industrial Securities International and China Investment Securities International.

Beijing Properties (Holdings) is a listed unit of Beijing Enterprises Group, which is 100%-owned by the Beijing municipal government. Its businesses are in logistics warehouses and property development.

BOCOM LEASING PRINTS DUAL-TRANCHER

BANK OF COMMUNICATIONS FINANCIAL LEASING drew combined final orders of over US\$3.8bn, including US\$940m from the leads, for its US\$800m dual-tranche floating-rate senior unsecured notes offering.

A US\$300m three-year tranche was priced at three-month Libor plus 83bp and

a US\$500m five-year tranche at 95bp, both well inside initial guidance of 115bp area and 125bp area, respectively.

The three-year floaters were said to have attracted participation from 61 accounts and the five-year notes 71 accounts.

For the three-year notes, 99% went to Asia and 1% to EMEA. Banks and financial institutions bought a combined 61%, fund managers and asset managers 32%, and private banks, corporates and others 7%.

For the five-year notes, 98% went to Asia and 2% to EMEA. Banks and financial institutions took a combined 73%, fund managers and asset managers 22%, and private banks, corporates and others 5%.

BoCom Leasing Management Hong Kong is the issuer and BoCom Financial Leasing, rated A2/A-/A, is providing a keepwell and asset purchase deed.

The Reg S bonds have expected ratings of A3/A (Moody's/Fitch).

Bank of Communications, BoCom International, ANZ, Bank of America, CMB International, Haitong International, HSBC, MUFG, Standard Chartered and Westpac were joint bookrunners.

CHINA MINMETALS SELLS US\$1BN PERP

CHINA MINMETALS, rated Baa1/BBB+/BBB+, has priced a US\$1bn offering of perpetual non-

BOC Macau raises funds for virus response

Bonds Dual-currency social bonds issued to mitigate the impact of the epidemic

BANK OF CHINA, Macau branch, has issued US\$638m-equivalent of senior social bonds to fund loans to small and medium-sized companies impacted by the coronavirus outbreak in Macau.

A HK\$4bn (US\$513m) two-year tranche was priced at par to yield 1.95%, inside initial guidance of 2.25% area. A MOP\$1bn (US\$125m) two-year pataca tranche was priced at 1.90% versus initial 2.20% area guidance.

The so-called Covid-19 alleviation Reg S notes, issued off the lender's MTN programme, have expected ratings of A1/A/A, on par with the issuer.

This marks the first social bond issue in the international market with an explicit Covid-19 theme.

Agricultural Development Bank of China on February 11 issued Rmb1.5bn (US\$214m) of Dim Sum bonds to finance its rural revitalisation strategy as well as to help fund China's fight against the outbreak, but these were not certified as social bonds.

Proceeds from the BOC bonds will be used to provide affordable loans to micro, small

and medium-sized enterprises in Macau as they grapple with the consequences of the virus.

The bank has drawn up a list of eligible projects with an approximate total value of MOP\$5.16bn in sectors including construction and public works, services, wholesale and retail, manufacturing, catering, transportation, warehousing and communications.

According to media reports, there have been 10 confirmed cases of coronavirus infection in Macau as of February 28. Gaming has been allowed to resume after the territory closed down casinos as a precautionary measure during the first half of February, but the city is only receiving around 2,000 daily visitors, a drop of around 98% year on year, Reuters reported citing official figures.

Sean McNelis, global co-head of debt capital markets at HSBC, which was a joint lead manager and joint bookrunner on the Hong Kong dollar tranche, said the deal showed that public markets have a role to play in supporting SMEs affected by the Covid-19 outbreak.

"The strength of the order book shows there is clearly investor appetite to get behind this initiative, which further broadens the range of alleviation measures, from both public agencies and private institutions."

The Hong Kong dollar tranche drew final orders of over HK\$7.1bn from more than 20 accounts, including HK\$3.35bn from the leads. Asia took 98% of the notes and Europe 2%. Banks got 84%, fund managers and private banks 8%, and central banks 8%.

Statistics for the pataca tranche were not disclosed at the time of writing.

BOC, Agricultural Bank of China Hong Kong branch, Citigroup, Commonwealth Bank of Australia, Credit Agricole, DBS Bank, HSBC, ICBC (Asia), JP Morgan and Scotiabank were joint lead managers and joint bookrunners for the Hong Kong dollar tranche.

For the pataca tranche, BOC, CCB Macau branch, China Guangfa Bank Macau branch, Luso Bank and Tai Fung Bank were joint lead managers and joint bookrunners.

CAROL CHAN

call 4.5 capital securities after drawing final orders of over US\$4.3bn from 121 accounts.

The Reg S perp was priced at par to yield 3.375%, inside initial guidance of 3.70% area.

Asian investors took 82% of the perps and EMEA 18%. Sovereign wealth funds and fund managers bought a combined 71%, corporates 14%, banks 8%, and insurers, private banks and others 7%.

The perp, which has an expected Baa1 issue rating by Moody's, will be issued by Minmetals Bounteous Finance (BVI) and guaranteed by the state-owned parent company.

The distribution rate will be reset at an initial spread of 220.9bp wide of the prevailing five-year Treasuries plus a 300bp step-up if not called on the first call date of September 3 2024.

The state-owned group plans to use

the proceeds for working capital and general corporate purposes, including debt refinancing.

BOC International, Deutsche Bank, DBS Bank, ICBC and JP Morgan were joint global coordinators, joint lead managers and joint bookrunners.

» EXCELLENCE PRICES US\$100M BOND

EXCELLENCE COMMERCIAL PROPERTIES has priced US\$100m three-year senior notes at par to yield 6.8%, slightly tighter than initial guidance of 6.9% area.

Excellence Commercial Management is the issuer of the Reg S unrated notes and Excellence Commercial Properties is the guarantor.

The Chinese real estate company plans to use the proceeds for debt refinancing.

Guotai Junan International, Haitong International and CMB International were joint global coordinators as well as joint lead managers and joint bookrunners with *China Minsheng Banking Corp Hong Kong branch, HeungKong Financial and Bank of East Asia*.

» FOSUN BUYS BACK BONDS

FOSUN INTERNATIONAL has repurchased US\$37.178m of its outstanding offshore bonds through privately negotiated transactions.

The Chinese conglomerate bought back and cancelled US\$27.588m in principal amount of its US\$1.4bn 5.25% 2022s; US\$2.24m of its 5.375% US\$550m 2020s; and US\$7.35m of its 5.5% US\$590m 2023s. The former two were issued through its Fortune Star vehicle and the latter note through Wealth Driven.

IG property bond draws crowd

■ Bonds Chinese developer COLI pushes out to longer tenor on good demand

CHINA OVERSEAS LAND AND INVESTMENT (Baa1/BBB+/A-) priced the first international bond from an investment-grade Chinese property company since the coronavirus outbreak, finding enough demand to add an extra tranche.

The developer printed a US\$1bn senior unsecured bond offering in three tranches.

A US\$300m 2.375% five-year tranche priced at 99.57 to yield 2.467%, or Treasuries plus 123bp, inside initial guidance of 150bp area.

A US\$500m 2.75% 10-year tranche priced at 99.247 to yield 2.837%, or Treasuries plus 145bp, inside guidance of 172bp area.

At around 6:30pm Hong Kong time, COLI added a 15-year tranche, having signalled at the beginning of bookbuilding that it would be open to printing at that tenor if enough investors requested it.

A US\$200m 3.125% 15-year tranche priced at 99.857 to yield 3.137%, or Treasuries plus 175bp, in line with final guidance. The tranche, the first 15-year tenor issued by a Chinese property company, was chosen to balance the cost for the issuer with the sweet spot for investors.

COLI had May 2024 bonds quoted at a G spread of 129bp before the transaction, indicating that fair value for a five-year tenor would have to be at least Treasuries plus 130bp. That meant that the new 2024s priced 7bp inside the curve, helped by the relatively small size.

Outstanding July 2029 and November 2029 bonds were seen at G spreads of 141bp and 142bp, respectively, suggesting fair value

of at least Treasuries plus 145bp for the 10-year tranche, and indicating that it priced flat to the curve.

Meanwhile the 15-year yield of 3.137% was lower than the 3.147% COLI paid for 10-year bonds in November last year.

That is due in part to the tightening of US Treasuries over the past three months. In a bad day for equity markets, the five and 10-year Treasury yields tightened around 8bp each, on top of the 27bp tightening in guidance for the COLI trade.

Despite that, the bonds performed well in early trade on Tuesday. The 2024s tightened by 6bp, the 2029s by 3bp, and the 15-year tranche by 7.5bp.

China Overseas Finance (Cayman) VIII will issue the bonds with a guarantee from COLI. The Reg S benchmark bonds have expected ratings of Baa1/A- (Moody's/Fitch).

The syndicate grew dramatically between initial guidance and setting the final yields, with 11 new bookrunners added.

At the start of the day, *BOC International, DBS, HSBC and ICBC (Asia)* were joint global coordinators and also joint bookrunners with *Bank of Communications and CMB Wing Lung*.

By the time the deal priced, *Agricultural Bank of China Hong Kong branch, CCB International, CICC, China Securities International, Citigroup, Credit Agricole, Goldman Sachs, Guotai Junan International, ICBC, Mizuho and Shanghai Pudong Development Bank, Hong Kong branch* had been added as joint bookrunners.

A source from the original line-up said that

the company had made it clear that some other banks might be added to the syndicate, based either on demand they brought in for this deal or on their participation in other types of projects for the company.

"This deal was heavily oversubscribed, so you can see that they did not rely on these bookrunners to carry the transaction," said the source.

Orders were over US\$1.4bn from 46 accounts for the five-year tranche, including US\$460m from the leads. Asian accounts took 96% of the Reg S bonds and Europe and offshore US investors 4%. Public sector investors and insurers booked 41%, fund managers 31%, and banks, financial institutions and private banks 28%.

The 10-year drew over US\$1.2bn from 44 accounts, including US\$490m from the leads, with 97% going to Asia and 3% to Europe and offshore US investors. Public sector investors and insurers booked 35%, fund managers 33%, banks and financial institutions 31%, and private banks 1%.

Orders were over US\$300m from 18 accounts for the 15-year tranche, including US\$30m from the leads, with 97% going to Asia and 3% to Europe and offshore US investors. Fund managers booked 56%, insurers 34%, and banks, financial institutions and private banks 10%.

Proceeds will be used to repay and/or refinance debt.

State-owned China State Construction Engineering owns a 56% stake in Hong Kong-listed COLI.

DANIEL STANTON

FUJIAN YANGO CANCELS BOND

FUJIAN YANGO GROUP, rated B/BB- (S&P/Lianhe Global), has cancelled US\$25m of the 9.875% guaranteed senior notes due 2021 it repurchased, according to a stock exchange filing.

Following the cancellation, the outstanding principal amount of the 2021 notes has been reduced to US\$85m.

The 2021 notes were issued in April 2018 with Yango (Cayman) Investment as the issuer and Fujian Yango Group as the parent guarantor.

Fujian Yango Group has businesses in property development, education services, commodities trading and environmental services, and also has investments in financial services companies.

GREENLAND HOLDING SELLS BOND

Chinese property developer **GREENLAND HOLDING GROUP**, rated Ba1/BB/BB-, has sold US\$300m four-year senior unsecured notes at par to yield 6.75%, 40bp tighter than initial 7.15% area guidance.

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

The Reg S issue, to be issued off an US\$8bn MTN programme, has an expected Ba2 rating by Moody's.

Proceeds will be used to refinance offshore debt.

BOC International, CLSA, Haitong International and Guotai Junan International were joint global coordinators, joint lead managers and joint bookrunners.

LANGUANG MAKES PRIVATE PLACEMENT

SICHUAN LANGUANG DEVELOPMENT last Thursday raised US\$200m via a private placement of 364-day notes priced at par to yield 9%, according to a market source.

Guotai Junan International was the sole lead on the deal.

S&P assigned the Shanghai-listed Chinese real estate company a B+ rating in June 2018. Moody's on February 3 assigned a first-time B1 issuer rating.

LVGEM (CHINA) SETS MINIMUM YIELD

LVGEM (CHINA) REAL ESTATE INVESTMENT has set the minimum yield for new senior notes due 2023 at 11.50%, which will be used in an exchange offer for its US\$400m 8.50% senior notes due 2020 and a concurrent new money issue.

Under the exchange offer, holders of each US\$1,000 of principal amount of the 8.50% 2020s will receive US\$1,000 in principal amount of the new senior

notes due 2023 plus accrued and unpaid interest.

The deadline for the exchange offer is March 2 and settlement is expected on March 10.

Proceeds raised from the concurrent new money issue will be used to refinance medium to long term offshore debt coming due within one year.

Nomura, BOSC International, AMTD, DBS Bank and Haitong International are joint dealer managers on the exchange offer.

They are also joint global coordinators, joint bookrunners and joint lead managers for the concurrent new money issue, together with CCB International, BoCom International, China Investment Securities International, Zhongtai International,

Auto-loan ABS a safe haven

■ Bonds BMW AFC's deal is expected to serve as a pricing benchmark

BMW AUTOMOTIVE FINANCE (CHINA) printed Rmb8bn (US\$1.1bn) of auto loan-backed securities in China's interbank bond market in February, drawing safe-haven demand for the first auto-loan ABS issue in the country since the coronavirus outbreak.

The transaction is expected to serve as a pricing benchmark for Chinese auto finance companies looking at issuing ABSs in the near future, said Andy Lai, head of securitisation at BNP Paribas.

"We know that there are quite a number of auto finance companies looking to launch their ABS deals in the next few weeks, so the success of BMW AFC's deal should give them great comfort and definitively help to pave the way for their issuance," said Lai.

BNP Paribas (China) was one of the four joint lead underwriters on the transaction along with Citic Securities, ICBC and MUFG Bank (China). BNP Paribas Hong Kong was the financial adviser.

The deal, priced on February 20, was BMW AFC's first ABS offering this year and the 14th since its first such issue in 2014.

A Rmb6.76bn 3.14% senior fixed-rate portion was priced at par. The securities are scheduled to mature on August 26 2022 with a weighted average life of 1.72 years. This tranche has AAA ratings from both China Bond and China Chengxin.

A Rmb1.24bn unrated subordinated tranche, scheduled to mature on September 26 2022 and with a weighted average life of 2.6 years, was retained by the originator.

The final pricing of the senior tranche was within the indicative range of 2.75%-3.75% and 35bp lower than the previous deal in November, backed by strong demand from investors despite the coronavirus crisis, with liquidity getting a boost from the latest policy moves by the People's Bank of China.

Lai said some consideration had been given to postponing the deal due to the outbreak, and the target pricing date was delayed by a week to give investors more time to look at the offering and go through their internal processes. The outcome showed that demand

was still robust.

"It took more time to get investors to engage and give a response as some of them were still working from home when we marketed the deal," he said. "But overall, the market remains very strong and liquid. Investors are looking for a safe haven to invest."

He said investors were not overly concerned that the epidemic would potentially lead to an increase of delinquencies and defaults of the underlying loans in the ABS, even though rating agencies have called for more details on the portfolio, such as the proportion of loans in Wuhan city and Hubei province, to conduct more stress analysis.

Fitch said on February 17 that the economic disruption caused by the coronavirus outbreak in China will put pressure on the performance of auto-loan ABS assets in the near term, but the impact should be limited.

"The outbreak and strict restrictions implemented for containing it are likely to adversely affect employment rates and disposable incomes in the near term," it said. "This could weaken borrowers' serviceability and pressure loan performance, resulting in higher delinquency levels for auto-loan ABS transactions in the coming months, both as a result of the virus itself and because few new transactions are likely to be issued."

"It is too early to identify the magnitude of any change in performance, however, we do not expect defaults to increase significantly at this stage."

BNP's Lai said it is hard to predict the severity of the impact from the epidemic on China's auto-loan ABS market at this stage as it depends on how long it lasts and its effects on the overall economy and business growth. However, BMW AFC's offering showed that ABS deals are one of the cheapest funding alternatives for auto finance companies.

BMW AFC is a sino-foreign joint venture in which German automaker Bayerische Motoren Werke owns a 58% stake and BMW Brilliance Automotive the remainder.

CAROL CHAN

HeungKong Financial, ABC International and CMBC Capital.

MODERN LAND (CHINA) GOES GREEN

MODERN LAND (CHINA), rated B2/B (Moody's/Fitch), has issued US\$150m 11.95% green senior bonds due 2024, according to a stock exchange filing.

The Reg S bonds were sold at 97.252 of the principal amount. The filing did not give the reoffer yield.

The Hong Kong-listed Chinese real estate company plans to use proceeds for debt refinancing.

Morgan Stanley was sole global coordinator and sole lead manager as well as a joint bookrunner with Guotai Junan International.

The company also priced US\$200m 11.8% two-year senior green bonds at 98.156 to yield 12.875% on February 19.

Credit Suisse, Deutsche Bank, Guotai Junan International, HSBC and Morgan Stanley were also joint global coordinators, joint lead managers and joint bookrunners on that issue, together with BoCom International, China Investment Securities International, HeungKong Financial and Haitong International.

ROAD KING INFRA PRINTS US\$300M

Property developer **ROAD KING INFRASTRUCTURE**, rated Ba3/BB- (Moody's/S&P), has priced a US\$300m five-year non-call three bond at par to yield 5.9%, inside initial guidance of 6.125% area.

Final statistics were not available at the time of writing but books reached over US\$750m at final guidance, which was in line with final pricing.

RKPF Overseas 2019 (A) is the issuer and Road King Infrastructure is the parent guarantor.

The bonds were trading at 5.9% in secondary markets on their first trading day, while generic benchmarks were around 0.5 to one point lower, according to a lead.

US stocks sold off sharply last Thursday due to mounting concerns over the coronavirus with the losses being extended through Asia.

The Reg S deal has an expected rating of Ba3 by Moody's.

The senior unsecured notes will be used to acquire or invest in property projects or for general corporate purposes.

HSBC, JP Morgan (B&D) and Standard Chartered Bank were joint global coordinators, lead managers and bookrunners.

SHUIFA GROUP PLANS DOLLAR BOND

SHUIFA GROUP, rated Baa3 (stable) by Moody's, has hired banks for a proposed offering of

benchmark five-year US dollar Reg S senior unsecured bonds and held an investor conference call last week.

Guotai Junan International, China International Capital Corp, Zhongtai International, Bank of China and Standard Chartered Bank are joint global coordinators as well as joint lead managers and joint bookrunners with ICBC International, SPDB International, China Securities International, ABC International and China Everbright Bank Hong Kong branch.

The proposed bonds will be issued by wholly owned subsidiary Shuifa International Holdings (BVI) and guaranteed by Shuifa Group. The bonds have an expected Baa3 rating by Moody's, on par with the guarantor.

The deal was initially targeted to launch as early as February 25 but the volatile market has pushed the group to look for another issuing window.

Shuifa Group is ultimately 100% owned by the Shandong provincial government, through a 70% stake held by the Shandong State-owned Assets Supervision and Advisory Commission, a 20% interest owned by Shandong Guohui Investment, and a 10% stake held by Shandong Social Security Fund, according to Moody's.

The group is the sole financing and operating entity in Shandong province for water utilities and water-related construction. It also has businesses in environmental services, clean energy and agriculture.

On September 10 last year, it priced a US\$400m debut bond issue to fund project construction and refinance onshore debt. The three-year senior unsecured Reg S bonds were priced at par to yield 4.15%, or 47.5bp tighter than initial 4.625% area guidance.

SINIC PLANS DOLLAR BOND

Chinese property developer **SINIC HOLDINGS (GROUP)** has hired banks for a proposed offering of US dollar senior unsecured notes and has held fixed income investor last week.

Guotai Junan International, BOC International, UBS and Haitong International are joint global coordinators on the Reg S issue as well as joint bookrunners and joint lead managers with Barclays, CCB International, CMB International, HeungKong Financial and Orient Securities (Hong Kong).

XIAN QIJIANG CULTURE RAISES US\$300M

XIAN QIJIANG CULTURE HOLDINGS has priced US\$300m three-year senior unsecured bonds at par to yield 5.5%, inside initial guidance of 5.8% area.

Final statistics were not available at the time of writing but orders were said to be over US\$530m ahead of the release of final guidance, including US\$160.4m from the leads.

Proceeds from the Reg S unrated issue will be used for debt repayment, project construction and other general working capital purposes.

CMB International was sole global coordinator. It was also a joint lead manager and joint bookrunner with CNCB Capital, CEB International, CLSA, China International Capital Corp, Orient Securities (Hong Kong) and SPDB International.

The issuer is a state-owned enterprise beneficially controlled and owned by the XiAn municipal government with a focus on culture and tourism operations and infrastructure, as well as property development, mainly in Qujiang New District in central China.

XINJIANG GUANGHUI MAKES OFFER

XINJIANG GUANGHUI INDUSTRY INVESTMENT (GROUP) has announced an exchange offer for any and all of its US\$300m 7.875% bonds due March 30 2020.

Holders who submit their bonds will receive US\$1,015 in new notes for every US\$1,000 in principal amount of the 2020s, plus US\$30 in cash.

The new bonds will have a tenor of 18 months, and the minimum yield will be announced on or around March 2. The final rate will be decided on March 12.

The company is also planning a concurrent new money offering of the bonds. The proposed bonds have expected ratings of B3/B- (Moody's/S&P).

Haitong International, HSBC and Tensant Securities are dealer managers for the tender offer, as well as joint global coordinators and bookrunners for the proposed new money issue. DF King is information and exchange agent.

Xinjiang Guanghui has businesses including car sales and repair, real estate development, and the sale of natural gas and coal. Its subsidiaries include **CHINA GRAND AUTOMOTIVE SERVICES** and **GUANGHUI ENERGY**.

Chairman Sun Guangxin is the largest shareholder, with a 50.06% stake, and property company China Evergrande Group is the second largest, with a 40.96% stake.

ZHENJIANG SOE PRICES 364-DAY NOTES

ZHENJIANG STATE-OWNED INVESTMENT HOLDING GROUP has priced US\$150m 364-day senior unsecured notes at par to yield 6.6%, unchanged from price guidance.

HK Onlink Technology is the issuer and Zhenjiang State-owned Investment is the guarantor.

Proceeds from the unrated Reg S issue will be used for debt refinancing, working capital and general corporate purposes.

Guoyuan Capital, Thor Asset Management, Haitong International and Zhongtai International were joint global coordinators, joint lead managers and joint bookrunners.

The guarantor is a major industrial investment arm of the Zhenjiang municipal government in Jiangsu province. It has businesses in condiments, chemical products, paper, automobiles, infrastructure construction and commodity trading.

BMW READIES FOURTH PANDA BOND

BAYERISCHE MOTOREN WERKE, rated A1/A+/AAA (Moody's/S&P/China Chengxin), has hired banks for its fourth private Panda bond offering with a planned issue size of Rmb3.5bn (US\$499m).

Bank of China is lead underwriter and Citic Securities is joint lead underwriter. BNP Paribas (China), China Construction Bank Corp, Credit Agricole Corporate and Investment Bank (China), Deutsche Bank (China), Industrial and Commercial Bank of China and MUFG Bank (China) are international advisers.

The bonds, which will be available to qualified institutional investors both onshore and offshore, will be issued through wholly owned European subsidiary BMW Finance NV and will be guaranteed by parent company BMW AG.

The offering will comprise a Rmb1.5bn one-year tranche and a Rmb2bn three-year tranche. The final issue size will be subject to change based on the bookbuilding results.

Bookbuilding will start on March 2 and settlement is on March 4.

BMW made its debut in the Panda bond market in March last year via BMW Finance NV with a Rmb3bn three-year issue priced at 4%, under a Rmb20bn quota registered with Chinese financial regulators.

GUANGZHOU R&F PRINTS BONDS

GUANGZHOU R&F PROPERTIES, rated Ba3/B+/BB-, has priced US\$400m four-year non-call two senior bonds at par to yield 8.625%, inside initial guidance of 8.875% area, and launched a concurrent tender offer.

Final statistics were not available at the time of writing but orders were said to be over US\$1bn ahead of the release of final guidance, including US\$300m from the leads.

Easy Tactic is the issuer of the notes. R&F Properties (HK) and certain non-PRC subsidiaries of Guangzhou R&F are guarantors. Guangzhou R&F will also act as keepwell and EIPU provider.

The Reg S issue has an expected BB-rating by Fitch.

Proceeds will be used to refinance

medium to long-term debt that will come due within one year.

Guangzhou R&F also launched a tender offer for its US\$700m 8.75% senior notes due January 2021.

It is offering to pay US\$1,025 plus accrued and unpaid interest per US\$1,000 of principal amount of the notes.

The deadline for the tender offer will be on or about March 6 and the settlement around March 10.

Goldman Sachs and Standard Chartered Bank are joint dealer managers on the tender offer. They are also joint global coordinators, joint lead managers and joint bookrunners on the new bond issue, together with HeungKong Financial, China Citic Bank International, CLSA and Haitong International.

HENGAN INTL PRICES PANDA BOND

Hong Kong-listed **HENGAN INTERNATIONAL GROUP** has raised Rmb1bn from a public offering of Panda bonds in China's interbank bond market.

The 270-day notes were priced at par to yield 2.85%, within the indicative range of 2.4%-3.4%, according to a banker on the deal. The deal was 1.8 times covered.

The notes were issued off a Rmb3bn super short-term commercial paper programme.

Of the proceeds, Rmb870m will be used to repay bank borrowings and the remainder as working capital related to epidemic prevention and control.

The Cayman Islands-incorporated producer of sanitary napkins and baby diapers is rated AAA by China Chengxin.

Bank of China was the lead underwriter and bookrunner on the deal.

EQUITY CAPITAL MARKETS

BOHAI BANK FILES FOR IPO

CHINA BOHAI BANK filed to the Stock Exchange of Hong Kong last Wednesday for an IPO which could raise about US\$2bn-\$3bn this year.

ABC International, CCB International, CLSA and Haitong International are the joint sponsors.

The national joint-stock commercial bank, which counts Standard Chartered as its second-largest shareholder, also disclosed in the filing how the coronavirus outbreak may affect its business.

Since the outbreak, the Chinese government has encouraged banks and financial institutions to enhance their credit support to affected enterprises and individuals. On February 15, the China Banking and Insurance Regulatory

Commission announced that it may raise regulatory tolerance of banks' non-performing loans to businesses facing liquidity difficulties due to the epidemic.

In response to this, Bohai Bank said it has launched special supportive measures for qualified entities, through offering loans at reduced interest rates, fee waivers, and expedited credit approval procedures.

The bank said the outbreak has had no material adverse impact on its financial results or business operations for now. However, it also said the outbreak may affect the ability of micro and small enterprises to repay their loans, which in turn may materially and adversely affect its business, financial condition and results.

As of September 30 2019, Bohai Bank's loans to micro and small enterprises amounted to Rmb122bn, representing 26.6% of its total loans.

Founded in 2005, Bohai Bank also counts Tianjin TEDA Investment, China Shipping Investment and State Development & Investment among its shareholders. StanChart owns a 19.99% stake, behind TEDA, which holds 25%.

The Chinese lender posted a net profit of Rmb6.5bn (US\$929m) for the nine months ended September 30 2019, up 16% over the same period of 2018. Its total assets stood at Rmb1.1trn as of September 30 2019, while its non-performing loan ratio and Core Tier 1 capital adequacy ratio were at 1.77% and 8.17%, respectively.

CR LAND MANDATES FOUR

CHINA RESOURCES LAND has picked four banks to lead the Hong Kong IPO of its property management unit, according to people close to the deal.

CCB International, CICC, Citigroup and Goldman Sachs are sponsors for the IPO which could raise about US\$500m this year, said the people.

Several Chinese property developers have spun off their property management service arms in the past two years, including Country Garden, Agile Group and Poly Developments and Holdings Group.

Hong Kong-listed Shimao Property is also considering spinning off its property management service unit in a Hong Kong IPO to raise about US\$500m-\$600m this year, IFR reported in January.

DUO PLAN FOLLOW-ONS

CONTEMPORARY AMPEREX TECHNOLOGY, a top supplier of power battery systems in China, plans to raise Rmb20bn from a private share placement.

The Shenzhen-listed company will sell 221m shares, or up to 10% of its existing share capital, to up to 35 investors, at a floor price of 80% of the 20-day average before the pricing day.

Proceeds will be used to expand and build three lithium battery production bases in Fujian, Jiangsu and Sichuan provinces, upgrade an energy storage research project, and replenish working capital.

The company has partnerships with Tesla, Volkswagen and BMW.

It posted a net profit of Rmb1.41bn on revenue of Rmb12.6bn for the first nine months of 2019.

Separately, **HAITONG SECURITIES** has amended some of the terms of a Rmb20bn A-share private placement.

The brokerage, which is listed in Hong Kong and Shanghai, plans to increase the number of proposed investors in the placement to 35, from 10.

Existing shareholders Shanghai Guosheng Group, Shanghai Tobacco Group Investment, Bright Food Group, and Shanghai Electric have committed to buy Rmb10bn, Rmb3bn, Rmb800m–Rmb1bn and Rmb1bn of the offering, respectively.

The company has also lowered the floor price to 80% of the 20-day average before the pricing day, down from the previous 90%. It plans to sell up to 1.62bn A-shares.

Proceeds will be used mainly to develop its capital-based intermediary business, increase investments in fixed income, currencies and commodities, as well as to replenish working capital.

The deal still needs written approval from the CSRC after passing a hearing in December.

China Securities is the sponsor.

MEGVII IPO APPLICATION LAPSES

The Hong Kong listing application of **MEGVII TECHNOLOGY** lapsed last Tuesday, six months after the facial recognition company filed it.

The company, which was blacklisted by the U.S. administration in October, originally aimed to raise US\$500m–\$1bn at the end of last year, but it was asked to answer more questions by the Stock Exchange of Hong Kong after it sought listing approval from the regulator on November 21.

People close to the deal said the company still wants to list in the city and will refile the IPO once its updated financials are ready,

though there is no timeline for the deal now.

“The company intends to do the deal after it’s removed from the US blacklist but the US presidential election this year could add uncertainty,” said one of the people. “And now with a global outbreak of coronavirus, it’s even harder to have a timeline.”

Another person close to the deal estimated the IPO will come in the second half of the year.

Megvii filed its listing application on August 25. In October, the US Department of Commerce placed it on a blacklist alongside seven other companies and 20 public security bureaus over their alleged involvement in human rights violations in the formally autonomous region of Xinjiang.

On November 20, a day before Megvii sought listing approval, Hong Kong protesters began a letter-writing campaign to stop it from listing because of their opposition to surveillance technologies.

A sample letter said that should the US decide to impose sanctions on Megvii, the company’s ability to continue its operations would be severely undermined.

The line-up of Megvii’s syndicate is another concern for the company. Currently, the three sponsors on the deal – *Citigroup*, *Goldman Sachs* and *JP Morgan* – are all US banks.

“If the US really sanctions the company, none of these banks can work on the deal. The company needs a backup plan,” said a third person close to the deal.

It is understood that Megvii has been considering adding non-US banks as sponsors but no decision has been made.

Last April, Megvii raised US\$750m from a private financing at a valuation of about US\$4bn.

SELL-DOWN IN EDVANTAGE

Sole bookrunner *AMTD* arranged a HK\$331m (US\$42m) sell-down in Chinese higher education provider **EDVANTAGE GROUP** on February 21.

Ariana Capital, cornerstone for the company’s IPO in July, sold 70.6m shares at HK\$4.69 per share, a discount of 12.5% to the pre-deal close.

The response was good and the shares were sold to three investors, according to a person close to the deal.

The Chinese education sector is one of the most sought-after sectors amid the coronavirus outbreak. Edvantage shares were up 19% this year as of last Thursday.

TWO IPoS WIN FINAL APPROVAL

SHANDONG DONGYUE ORGANOSILICON MATERIALS and **HUNAN HESHUN PETROLEUM** have won final approval from the China Securities Regulatory Commission for A-share listings.

The former, a chemical products manufacturer, plans to raise Rmb2.07bn from a ChiNext listing of 300m shares, or 25% of the enlarged capital.

Proceeds will be used for an organic silicon processing project, to upgrade production and build an R&D centre.

Its original target was Rmb4.5bn, Rmb821m of which was to replenish working capital, but the company cut out this part in the latest IPO filing.

China Securities is the sponsor.

Hunan Heshun Petroleum, a wholesaler and retailer of refined oil products, aims to raise Rmb1.27bn from a Shanghai IPO. *Cinda Securities* is the sponsor.

YE XING AND CIRTEK LAUNCH HK IPoS

Chinese property management **YE XING GROUP** and apparel labels manufacturer **CIRTEK HOLDINGS** have launched Hong Kong IPOs to raise up to a combined HK\$303m.

Ye Xing Group is selling 100m primary shares, or 25% of the enlarged share capital, at an indicative price range of HK\$1.32–\$1.58. There is an overallotment option of 15% of the base size.

Peter Lee Ka-Kit, the chairman of Henderson Land Development and Hong Kong and China Gas, has committed HK\$21m to the deal via his wholly owned company *Successful Lotus*.

Proceeds will be used to expand the company’s business in mainland China, enhance its information system and technology initiatives as well as staff development and general working capital.

The deal will price on March 6 and the shares will start trading on March 13.

Alliance Capital Partners is the sole sponsor.

Cirtek is offering 500m primary shares, or 25% of the enlarged share capital, at an indicative price range of HK\$0.25–\$0.29, implying a valuation of HK\$500m–\$580m.

There is an overallotment option of up to 15% of the base size.

The deal will price on March 4 and the shares are due to list on March 12.

Elstone is the sole sponsor.



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HONG KONG

DEBT CAPITAL MARKETS

HONG KONG PLANS GREEN BONDS

The **GOVERNMENT OF THE HONG KONG SPECIAL ADMINISTRATIVE REGION** plans to issue green bonds totalling HK\$66bn (US\$8.5bn) within the next five years, according to the 2020/21 budget announced today.

Hong Kong last year sold its first international green bond, in a US\$1bn offering that drew orders of over US\$4bn.

The latest budget implemented stimulus measures totalling more than HK\$120bn to support Hong Kong's economy in the wake of the coronavirus outbreak and continuing anti-government protests.

Financial Secretary Paul Chan Mo-po said he expected a record high deficit of 4.8% of GDP in the coming year, and forecast economic growth would be minus 1.5% to plus 0.5% in real terms in 2020.

SYNDICATED LOANS

SHENWAN HONGYUAN SEEKS LOAN

Hong Kong-listed financial services firm **SHENWAN HONGYUAN (HK)** is making its loan market debut with a HK\$3bn-equivalent (US\$385m) one-year bridge loan.

Shanghai Pudong Development Bank Hong Kong branch is the sole mandated lead arranger and bookrunner of the transaction, which comes with an unspecified greenshoe option.

Proceeds will be for general corporate purposes.

Shenzhen-listed parent, Shenwan Hongyuan Securities, is providing a letter of comfort for the facility.

The loan, to be available in Hong Kong and US dollar, offers an interest margin of 110bp over Hibor/Libor.

Lenders joining on or before March 26 will earn a 5bp early-bird fee.

MLAs joining with tickets of HK\$500m-equivalent or above will receive a top-level all-in pricing of 155bp, based on a 40bp upfront fee and the early-bird fee.

MLAs taking HK\$300m–\$499m earn 145bp all-in via a 30bp upfront fee, while lead arrangers with HK\$150m–\$299m are offered 130bp all-in based on a 15bp fee.

Commitments are due by April 7.

The borrower is the flagship company of Shenwan Hongyuan Group, which counts state-owned investment company Central Huijin Investment as a controlling shareholder.

BoCom HK prices debut AT1

Bonds Ample liquidity and hunger for yield drives tight price

BANK OF COMMUNICATIONS (HONG KONG), rated A2/A–/A, has raised US\$500m from a tightly priced debut offering of Additional Tier 1 capital securities, taking advantage of ample liquidity and the chase for yield despite fears over the coronavirus outbreak.

The perpetual non-call five Basel-III compliant non-cumulative subordinated capital securities, which have expected ratings of Ba2/BB+ (Moody's/Fitch), were priced at par to yield 3.725%, 37.5bp tighter than initial guidance of 4.10% area.

The deal received strong anchor support, especially from corporate clients such as central state-owned enterprises that are freer to purchase non-investment grade securities, according to a banker on the deal.

"The relatively moderate issue size and strong anchor support, together with investors' hunt for yield amid a record low US Treasuries yield, allowed the issuer to price its debut AT1 issue with a very low coupon that was much lower than previous AT1 issues from other Hong Kong lenders," the banker said.

The issuer, a wholly owned subsidiary of Bank of Communications, one of China's big six banks, only officially began operations in early 2018 after its parent company spun off the Hong Kong business.

The pricing of BoCom HK's AT1s was inside the fair value estimates of 3.9%–4.0% by Nomura's trading desk and 3.85% by research firm CreditSights, after they referenced other AT1s issued by the Hong Kong-incorporated subsidiaries of Chinese banks such as Bank of China (Hong Kong), China Citic Bank International and CMB Wing Lung Bank.

BOCHK's 5.9% AT1, callable in September 2023, was bid at 3.41% ahead of the release of IPG. BOCHK's AT1s are investment-grade rated with a Baa2 rating by Moody's and a BBB rating by S&P. The bank has a significantly larger asset base and better capital ratios than BoCom HK.

CreditSights applied about 18bp for a difference of 17 months on the call date between BOCHK's 5.9% AT1 and BoCom HK's AT1 issue to arrive at an approximately 3.60% yield and added 25bp to reflect the difference in issue ratings to come up with a fair value estimate of 3.85%.

The banker said bookbuilding was smooth and orders were strong despite sell-offs in risk assets over the rapid increase of infections from the coronavirus outside China. But participation from private banks and trading

accounts was lower than expected because of the current market conditions, he said.

HUNT FOR YIELD

Final statistics were not available at the time of writing but orders were said to be over US\$3.35bn ahead of the release of final guidance, including US\$765m from the leads.

"For investors, in such a low-yield environment, many IG names are offering below 3% yield, except for some LGFV names, so the yield BoCom HK's AT1s is offering is already quite attractive, despite the non-IG issue rating," the banker said. "Investors have to go down the capital structure such as AT1s and perps in exchange for a higher yield. But with expected parent support, investors feel comfortable with the name."

The banker said the issuer was happy with the pricing.

"The issuer had started to prepare the AT1 issue as early as mid-2019. At that time, it may have cost as high as 4% for the issue but given the changes in market conditions, especially a much lower US Treasuries yield, it saved more than 100bp in terms of funding cost."

BoCom HK's AT1s opened weak at 99.75/100 last Wednesday morning but then rebounded to 100.05-100.2 late that morning.

The distribution rate of the AT1s will be at an initial spread of 252.5bp over prevailing five-year Treasuries if they are not called on the first call date of March 3 2025.

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

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

Proceeds will be used to strengthen the bank's capital base and fund business development.

BoCom, Citigroup and HSBC were joint global coordinators. They were also joint bookrunners and joint lead managers with Bank of China, BoCom International, China Everbright Bank Hong Kong branch, China Minsheng Banking Corp Hong Kong branch, CLSA, Guotai Junan International, ICBC (Asia), JP Morgan, Silk Road International, Standard Chartered Bank and UBS.

CAROL CHAN

HAITONG INTERNATIONAL SEC LIFTS LOAN

Hong Kong-listed **HAITONG INTERNATIONAL SECURITIES GROUP** has increased its three-year revolving credit facility to HK\$12bn, after attracting commitments from 19 lenders.

The self-arranged deal was increased from an original HK\$10bn target following the strong response, despite the all-in pricing of less than 150bp being tighter than a similar tenor deal closed in March last year.

That HK\$16bn revolver paid a top-level all-in pricing of 150bp based on an interest margin of 130bp over Hibor.

Proceeds from the latest loan are for refinancing the outstanding amount of a HK\$6.68bn three-year club loan signed in March 2017.

For full allocations, see www.ifre.com.

The Reg S/144A deal will be drawn from the issuer's global medium-term note programme.

Investor meetings and conference calls took place in Asia, Europe and the US from February 24.

SYNDICATED LOANS

RELIANCE INDUSTRIES MANDATES 16

Indian conglomerate **RELIANCE INDUSTRIES** has mandated 16 banks on a US\$1.45bn dual-currency financing, returning to the syndicated loan markets in less than a year.

The borrowing, which will be pre-funded, includes a US\$350m-equivalent yen-denominated portion. The US dollar and yen tranches carry tenors of 3.5 and five years, respectively.

Banks mandated on the US dollar piece are ANZ, Bank of America, Barclays, BNP Paribas, Citigroup, DBS Bank, First Abu Dhabi Bank, HSBC, Scotiabank, Standard Chartered Bank, State Bank of India and United Overseas Bank.

Credit Agricole CIB, Mizuho Bank, MUFG and Sumitomo Mitsui Banking Corp are mandated on the yen tranche.

Around US\$1.1bn of the new loan will refinance two existing facilities – a US\$550m 3.5-year club loan signed in January 2017 and a US\$550m syndicated tranche of a larger US\$1.75bn financing completed in March that year.

The club loan comes due in July this year, while the syndicated facility matures on April 27. The latter offered a top level all-in of 106bp based on an interest margin of 83.5bp over Libor and an average life of 3.02 years.

INDIA

DEBT CAPITAL MARKETS

ADB LISTS MASALA BONDS ON INX

The Triple A rated **ASIAN DEVELOPMENT BANK** has sold Rs8.5bn (US\$118m) of 10-year Masala bonds, in its first Indian rupee issue since 2017.

The bonds carry a coupon of 6.15% and were priced to yield 6.19%. They are denominated in rupees, but settled in US dollars.

Investors in Europe took 79% of the bonds and those in the Americas 21%. Fund managers booked 72% and banks 28%.

JP Morgan was sole underwriter.

The bonds will be listed on both the Global Securities Market of India International Exchange (India INX) and the Luxembourg Stock Exchange. This is the first time a foreign issuer has had a primary listing for its securities on India INX, which is based in Gujarat's international finance hub, GIFT City.

The transaction brings ADB's outstanding rupee bonds to Rs72.4bn, or US\$1bn, with maturities stretching from 2021 to 2030.

REC HIRES BANKS FOR LONG BOND

Indian public infrastructure finance firm **REC**, formerly known as Rural Electrification Corporation and rated Baa3/BBB- (Moody's/Fitch), has hired banks for a proposed US dollar benchmark senior notes offering of up to 10 years.

Barclays, HSBC, MUFG and Standard Chartered Bank are joint lead managers as well as bookrunners.

Lodha tackles bond maturity

Bonds Indian developer needs to raise cash before new issue

LODHA DEVELOPERS INTERNATIONAL has hired banks to arrange investor calls ahead of a proposed US dollar senior secured bond offering, as a redemption looms.

Lodha Developers is a wholly owned subsidiary of Indian property company **MACROTECH DEVELOPERS**, which was formerly known as Lodha Group.

Macrotech and Lodha Developers UK, the ultimate holding company for the group's London assets, will guarantee the proposed bonds, which are expected to be rated Caa1 by Moody's.

JP Morgan, CLSA and UBS have been hired to arrange calls with investors in Singapore, Hong Kong and London, which began last Thursday. A Reg S offering of US dollar bonds may follow, subject to market conditions.

Moody's downgraded Macrotech, which is India's largest property company, in November to Caa1 with a negative outlook, from B3, warning of refinancing risks.

Lodha Developers has a 12% US\$325m bond guaranteed by Macrotech which is due on March 13. In November, Fitch cut Macrotech to CCC from B-, warning that it had only raised around US\$155m at that time towards repaying the maturing dollar bond. The company has been selling assets in India and securing financing against its inventory in the UK.

In January, a spokesperson for Macrotech said that it planned to raise around US\$225m from a new bond issue, following discussions with investors.

However, it needs to gather a substantial amount of cash before it can go ahead with the new issue.

"In order to proceed with the bond transaction, as a condition precedent, the company must first raise US\$118m, which will be deposited in an escrow account," wrote Sweta Patodia, a Moody's analyst. "This amount, together with the proposed bond issuance, will be used to repay the principal and interest associated with the maturing US\$324m bond."

The company already has access to a £86m (US\$112m) inventory facility, secured against unsold apartments at Lincoln Square, one of Macrotech's London projects, but around £60m will be used to repay an existing construction loan at the project, leaving just US\$34m for deposit into the escrow account. It plans to raise the remaining required amount for the escrow account from US\$55m in pending collections from existing sales at Lincoln Square and a transfer of US\$29m in funds from its India operations.

"Any delays in receiving such proceeds will result in a shortfall in the escrow account and prevent the bond transaction from progressing, increasing the likelihood of default," wrote Patodia, noting that Macrotech does not have alternate financing arrangements in place to repay the maturing bond.

The outstanding bond was bid at a cash price of 93.5 last Thursday, according to Refinitiv data.

DANIEL STANTON

Ten banks committed to the club loan, while a total of 26 lenders participated in the US\$550m syndicated portion of the March 2017 borrowing.

Last June, RIL closed a US\$1.5bn-equivalent portion of a broader US\$2.25bn jumbo financing, with 27 lenders joining in general syndication. A US\$750m piece for Reliance Jio Infocomm was not launched into general syndication.

The US\$1.5bn portion comprised two facilities – facility 1 had a US\$650m tranche and a ¥38.85bn (US\$350m) piece, while facility 2 had a US\$350m portion and ¥16.65bn tranche.

The US dollar and yen tranches of facility 1 paid top-level all-in pricing of 128.5bp and 88.5bp based on margins of 106bp over Libor or 72.5bp over yen Libor, respectively, and an average life of 5.25 years. Facility 2 offered top-level all-in pricing of 131bp and 91.5bp for the US dollar and yen tranches, respectively, based on margins of 108bp over Libor or 75.5bp over yen Libor and an average life of 5.5 years.

HPCL PICKS THREE FOR US\$500M LOAN

HINDUSTAN PETROLEUM CORP has picked three banks for a five-year financing of up to US\$500m.

Bank of Baroda, State Bank of India and Sumitomo Mitsui Banking Corp are expected to be mandated on the deal, which has a base size of US\$300m and a greenshoe option of US\$200m.

The state-owned refiner had sent out a request for proposals in January for a five-year financing, returning to the offshore loan markets after 18 months.

Proceeds from the new money financing will be used for general corporate purposes.

HPCL closed a US\$300m three-year bullet loan in June 2018 as a four-bank club. DBS Bank, Mizuho Bank, MUFG and State Bank of India ended up with equal commitments after pre-funding the deal. That loan pays an interest margin of 60bp–65bp over Libor.

CAIRN INDIA DRAWS TWO IN SYNDICATION

CAIRN INDIA HOLDINGS has closed syndication of its US\$500m five-year amortising loan with two banks joining, while more commitments are being sought through an accordion.

Union Bank of India joined with a big-ticket commitment of US\$100m, while *Taishin International Bank* is the other bank participating.

Axis Bank, Citigroup and ICICI Bank were the original mandated lead arrangers and bookrunners of the loan, which was launched in mid-October with a base size of US\$500m and an accordion of up to US\$250m.

Signing with the five banks was expected to take place late last week.

A few more banks could still join via the accordion.

The financing for the wholly owned subsidiary of Indian mining conglomerate Vedanta pays a top-level all-in of 279.3bp based on an interest margin of 265.5bp over Libor and a remaining average life of 3.63 years assuming participating lenders were transferred into the facility by November 29 last year.

Cairn India's previous loan was a US\$651m multi-tranche financing completed in October 2017, which offered a blended top-level all-in pricing of 233.4bp based on a blended margin of 205bp and a blended remaining average life of 3.17 years.

For full allocations, see www.ifre.com.

EQUITY CAPITAL MARKETS

PARK HOTELS DEFERS IPO

APEEJAY SURRENDRA PARK HOTELS has deferred the launch of an IPO of up to Rs10bn (US\$140m) to the second quarter from March, people with knowledge of the transaction said.

The coronavirus outbreak and the resulting weak outlook for the hospitality sector have caused the delay.

The offer will comprise primary shares for Rs4bn and Rs6bn of secondary shares.

Controlling shareholders Apeejay Surrendra Trust, Apeejay House and Apeejay Private are among the vendors.

The Park Hotels is part of the Apeejay Surrendra Group which has interests in tea, hospitality, shipping, real estate, retail and financial services. The company runs hotels under the brands "The Park" and "Zone by The Park"

In the financial year to March 31 2019, the company's total income was Rs4.31bn compared to Rs3.88bn in 2018. Operating profit rose to Rs927m from Rs791m during the same period.

Axis, JM Financial and ICICI Securities are the banks on the transaction.

ROSSARI BIOTECH EYES APRIL IPO

Chemical maker **ROSSARI BIOTECH** plans to launch an IPO of up to Rs7bn in April having recently obtained Securities and Exchange Board of India approval, people with knowledge of the transaction said.

Around Rs1.5bn of primary shares and 10.5m secondary shares will be sold. Founders Edward Menezes and Sunil Chari are the vendors of the shares. The company is planning a pre-IPO placement

of up to Rs1bn and the primary tranche of the IPO will be reduced accordingly if it is completed.

The company was founded in 1997 and its products include textile chemicals, enzymes, polymers and animal health care products.

Revenue rose to Rs5.16bn in the financial year that ended March 31 2019, up 73% from Rs2.99bn in 2018. Net profit rose 80% to Rs456.83m from Rs254.03m.

Axis and ICICI Securities are the lead managers.

ANTONY WASTE PLANS TO OPEN IPO

ANTONY WASTE HANDLING CELL plans to launch a Rs2.5bn–Rs3bn IPO on March 3 subject to regulatory approval.

Anchor books will open on March 3 and the rest of the offer on March 4. The price band will be announced later this week.

Primary shares for Rs435m and 9.4m secondary shares will be sold in the IPO. Funds owned by Elliott Management are the vendors of the secondary shares.

Equirus Capital is the sole bookrunner.

INDONESIA

SYNDICATED LOANS

FREEPORT MANDATES NINE BANKS

FREEPORT INDONESIA has mandated nine lenders and firmed up the size of a five-year loan at US\$2.8bn.

The mandated banks are *Bank Mandiri, Bank Rakyat Indonesia, BNP Paribas, Citigroup, HSBC, Maybank, Mizuho Bank, Standard Chartered and Sumitomo Mitsui Banking Corp.*

The banks have equally underwritten the financing, which was signed on Friday.

Freeport Indonesia, operator of Grasberg, the world's second-biggest copper mine, has not firmed a target launch date into general syndication given the uncertain market environment amid the coronavirus outbreak.

Bank Negara Indonesia, MUFG and Societe Generale were part of an initial working group that was formed in November, but fell away recently.

Proceeds will finance the construction of a new copper smelter in Gresik, East Java, which is expected to begin in August.

Front-end engineering and design for the US\$3bn smelter has been concluded and ground preparation is expected to finish in around three months, according to Reuters.

The Indonesian government, via state-

owned Mining Industry Indonesia, became the majority owner of the Freeport Indonesia after increasing its share ownership to 51.23% from 9.36% through a US\$3.85bn deal in December 2018.

US-based Freeport-McMoran owns 48.8% of Freeport Indonesia.

» SMI ENDS FOUR-YEAR HIATUS

SARANA MULTI INFRASTRUKTUR is reaching out to lenders for a five-year term financing of up to US\$500m, returning for its largest syndicated loan after a four-year hiatus.

Banks are processing the borrower's request for proposals that was sent out in December.

A mandate is expected to be awarded around early March.

The financing carries an unspecified greenshoe.

SMI's last loan market visit in June 2016 was a blockbuster with 29 banks joining its US\$175m 1.5-year refinancing in general syndication.

Standard Chartered was the sole mandated lead arranger and bookrunner of the transaction, which offered a top level all-in pricing of 138.2bp based on an interest margin of 110bp over Libor and a remaining life of 1.33 years.

The government-owned borrower, established in 2009 to boost infrastructure development projects, is rated BBB (Fitch).

JAPAN

SYNDICATED LOANS

» MARUBENI RENEWS US\$555M BORROWING

Trading house **MARUBENI** has rolled over a US\$555m 364-day revolving credit facility without any change in pricing on its previous borrowing completed a year ago.

The new facility pays all-in pricing of 60bp based on an interest margin of 50bp over yen Libor and a facility fee of 10bp.

Citigroup was the original mandated lead arranger and *Credit Agricole CIB* joined to share the MLA title.

All the existing lenders, including ANZ, Bank of America, BNP Paribas, Deutsche Bank, HSBC, ING Bank, JP Morgan, Societe Generale and Standard Chartered, renewed their commitments.

Marubeni is rated Baa2/BBB/A/A (Moody's/S&P/JCR/R&I).

» DAIO PLANS LOANS FOR ACQUISITION

DAIO PAPER is considering long-term loans as well as hybrid financing to back its planned R\$2.3bn (US\$570m) acquisition of a Brazilian sanitary goods maker, the Japanese pulp maker said in a statement on Thursday.

Daio Paper will initially fund the acquisition of Sanither-Fabrica de Papel Santa Therezinha with cash on hand.

Daio and Marubeni have agreed to buy all shares of Sanither via their 51:49 Brazilian joint venture.

Marubeni is also mulling various options to finance its part of the consideration, including cash on hand.

Completion of the acquisition is expected on June 30.

» NCD RETURNS WITH ¥20BN BORROWING

NIPPON COMMERCIAL DEVELOPMENT has closed a ¥20.3bn (US\$184m) one-year loan, returning slightly over a year after its debut, the Osaka-based real estate company said in a statement last Wednesday.

Sumitomo Mitsui Banking Corp was the arranger, while 77 Bank, Aeon Bank, Awa Bank, Fukuho Bank, Higo Bank, Hyakugo Bank, Juroku Bank, Kagawa Bank, Keiyo Bank, Kochi Bank and Nishi-Nippon City Bank joined in syndication.

Signing was slated for Friday.

Funds are for general corporate purposes.

In December 2018, the borrower raised a ¥20bn one-year debut syndicated loan.

» HULIC REIT TO REFINANCE ¥17BN LOAN

HULIC REIT is set to sign a ¥16.815n bullet term loan last Wednesday for refinancing,

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the Tokyo Stock Exchange-listed real estate investment trust said in a statement on Tuesday.

MUFG, Mizuho Bank and Sumitomo Mitsui Banking Corp are the mandated lead arrangers of the loan which is split into five tranches with tenors ranging from 4.5 to 7.5 years and margins ranging from 20bp to 37bp over three-month Tibor.

77 Bank, Mitsui Sumitomo Insurance, Mizuho Trust & Banking, Nishi-Nippon City Bank, Norinchukin Bank, Resona Bank, Shinkin Central Bank, Shinsei Bank and Sumitomo Mitsui Trust Bank joined in syndication.

Funding was scheduled for Friday.

The borrower mainly invests in commercial properties in Tokyo.

MACAU

SYNDICATED LOANS

› MGM CHINA SEEKS COVENANT WAIVERS

Macau casino operator **MGM CHINA HOLDINGS** has requested from lenders a temporary waiver of the leverage covenants on a HK\$9.75bn (US\$1.24bn) loan, as the spread of the coronavirus in Asia has hurt its business.

MGM China is looking to have the covenants waived for a year and requires consent from 50% of lenders (by value).

According to the facility agreement, the borrower must maintain a maximum debt-to-Ebitda ratio of 4.5 times and a minimum interest coverage ratio of 2.5 times.

The covenants are to be tested on a quarterly basis with the next test slated for March 31.

Casinos in Macau were forced to close for 15 days last month, as the city's government looked to curb the spread of the deadly virus.

Macau gaming operators could take a potentially big hit to visitor traffic if the situation remains protracted, which is a credit negative for affected US rated issuers, according to a February 5 report from Moody's.

Wynn Resorts, Las Vegas Sands Corp and MGM Resorts International are the most vulnerable to revenue declines based on their exposure to the region, the report said.

MGM China had signed the unsecured HK\$9.75bn revolving credit facility with 13 banks in August last year. The borrowing, which matures in May 2024, carried an opening interest margin of 275bp over Hibor based on a leverage ratio of 4.00 times or more.

MALAYSIA

SYNDICATED LOANS

› TPG SEEKS US\$90M LOAN FOR LBO

Private equity firm **TPG CAPITAL ASIA** is seeking a US\$90m five-year loan to back its leveraged buyout of the K-12 education business of Malaysia's Paramount.

Deutsche Bank is leading the deal, which is said to pay an interest margin of 450bp over Libor and has been launched into limited syndication.

TPG's majority stake in Vietnam Australia International School, located in Ho Chi Minh City, will form the security for the loan.

Commitments are due by the end of March.

On June 20 last year, Paramount announced that it was divesting its controlling stakes in Paramount Education, Paramount Education (Klang) and Sri KDU to TPG-backed Two Horses Capital for an indicative M\$540.5m (US\$128m) in cash.

The group will be selling 69.7%, or 130.34m ordinary shares, in PESB, 80%, or 800,000 shares, in PEKSB, and 80%, or 1.8m shares, in Sri KDU.

The sale is subject to approval from Malaysia's Ministry of Education and the shareholders of the target companies.

Paramount's K-12 education businesses comprises Sri KDU and REAL national and international schools, REAL Kids pre-schools, and Cambridge English for Life enrichment centres.

Rothschild & Co is the sole financial adviser to the Paramount board for the sale. RHB Investment Bank is the sole principal adviser. Credit Suisse is a buy-side adviser and Maybank is the co-adviser to TPG Capital Asia.

In 2017, TPG bought a majority stake in K-12 education group VAS from two PE funds, Mekong Enterprise Fund II and MAJ Invest.

The Asian arm of TPG currently manages approximately US\$10bn in assets from its offices in Beijing, Hong Kong, Melbourne, Mumbai, and Singapore, according to its website.

Listed on Bursa Malaysia, Paramount is a long-established investment holding company with interests in property development and education services.

› SERBA DINAMIK RAISES M\$1.2BN LOAN

Malaysian oil and gas services company **SERBA DINAMIK HOLDINGS** has signed an increased M\$1.2bn five-year syndicated

Islamic financing, according to a press release from HSBC on February 23.

AmInvestment Bank, Bank Islam Malaysia, HSBC, MIDF Amanah Investment Bank, Standard Chartered Bank and United Overseas Bank are the lenders on the financing, which is structured as a commodity murabaha instrument.

Mandated lead arranger and bookrunner HSBC structured, underwrote and pre-funded the initial M\$900m of the facility before it was raised to M\$1.2bn.

In December, the borrower priced a US\$200m 5.25-year non-call three sukuk at par to yield 7%. Credit Suisse and HSBC were the joint global coordinators of the Islamic bond.

In December 2017, Serba Dinamik completed a US\$200m seven-year club loan, according to Refinitiv LPC data. AmInvestment Bank and StanChart were the lenders of the capital expenditure financing.

Established in 1993, Serba Dinamik provides integrated engineering solutions to the oil and gas, petrochemical and power generation industries, and water, waste water and utility companies.

NEW ZEALAND

DEBT CAPITAL MARKETS

› KIWIBANK EYES SECOND KANGAROO

KIWIBANK (A1/A/AA-) has mandated ANZ and UBS to arrange investor meetings and calls in Australia and Asia this week for a potential five-year Australian dollar Kangaroo bond offering.

Kiwibank made a belated bow in the Kangaroo market in October 2017 with a A\$150m (US\$118m) 4.25% 10-year debut.

This came seven months after a previous attempt was pulled the day before settlement, when regulators warned that some of the bank's capital convertible capital notes might be ineligible for capital adequacy purposes.

The Reserve Bank of New Zealand subsequently dropped its objection to the notes, allowing Kiwibank to return to the capital markets.

Kiwibank is a subsidiary of state-owned New Zealand Post, the New Zealand Superannuation Fund and Accident Compensation Corp.

It has the same A1 and AA- ratings from Moody's and Fitch as New Zealand's four major banks, though S&P rates it two notches below the majors' AA- ratings.

› TRANSPOWER TO TAP 2025 RETAIL NOTE

Regular issuer **TRANSPOWER NEW ZEALAND**, rated Aa3/AA- (Moody's/S&P), has mandated *Westpac* for a tap of its NZ\$125m (US\$79m) 3.823% March 6 2025 retail note.

Last August the state-owned electricity supplier issued a NZ\$150m 1.735% six-year note, priced at mid-swaps plus 73bp.

› AVANTI PULLS KANGAROO DEBUT

New Zealand consumer lender **AVANTI FINANCE**, rated BB (S&P), has pulled a planned no-grow A\$25m four-year fixed-rate debut Kangaroo issue via sole lead manager *NAB* because of "market volatility".

The sub-investment grade note, which was being marketed with an indicative coupon and yield of 5.0%–5.25%, was expected to price last Friday.

SYNDICATED LOANS

› TRADE ME FINALISES REPRICING TERMS

New Zealand-based online classified operator *Trade Me* has finalised the terms on a US\$602m term loan B repricing.

The TLB is being offered at 400bp over Libor with a 0% floor, versus a guided range of 375bp–400bp over Libor.

The loan will be offered with no original issue discount and 101 soft call protection will be reset for six months.

The first-lien loan will mature in May 2026.

Credit Suisse is arranging the deal.

Allocations were expected to take place on February 24.

In April 2019, *Trade Me* raised a US\$605m seven-year TLB at 425bp over Libor with a 0% floor.

Proceeds supported the company's buyout by private equity firm *Apax Partners*.

The buyout was also supported with a NZ\$276m (US\$178.7m) second-lien loan that was privately placed.

The borrowers are **TITAN ACQUISITION CO NEW ZEALAND** and **TITAN US FIN**.

PHILIPPINES

DEBT CAPITAL MARKETS

› SMFB OPENS BOND OFFERING

SAN MIGUEL FOOD AND BEVERAGE has launched a Ps15bn (US\$297m) bond offering in two tranches.

A five-year bond was offered at par to yield 5.05% and a seven-year tranche offered at par to yield 5.25%.

The bonds are rated Aaa by *PhilRatings*.

BDO Capital, *BPI Capital*, *China Bank Capital*, *Philippine Commercial Capital*, *PNB Capital*, *RCBC Capital* and *SB Capital* are joint lead underwriters and bookrunners for the offer, which runs until March 2.

Proceeds will fund the redemption of the company's Series 2 preferred shares.

› UNIONBANK INCREASES TIER 2

UNION BANK OF THE PHILIPPINES has sold Ps6.8bn of subordinated Tier 2 notes, after increasing the deal from a base size of Ps5bn on strong demand.

The 10.25-year bonds are callable after 5.25 years and pay 5.25%.

Standard Chartered and *HSBC* were joint lead arrangers, bookrunners and selling agents. *UnionBank* was limited selling agent.

SINGAPORE

SYNDICATED LOANS

› PARK HOTEL GROUP RAISES GREEN LOAN

Singapore's **PARK HOTEL GROUP** has obtained a S\$237m (US\$169m) green loan from *United Overseas Bank* to refinance debt for the Grand Park City Hall hotel, the company said on Tuesday.

UOB provided the bilateral loan under its real estate sustainable finance framework, which was established in 2019 and defines the eligibility criteria, including sustainability strategy, objectives, ratings and performance targets, for green and sustainability-linked loans.

Under the framework, the bank will record and monitor the borrower's management of loan proceeds, as well as track the sustainability metrics as agreed with the company.

Grand Park City Hall hotel is located in Singapore's Civic district and holds the green mark platinum certification from the Singapore Building and Construction Authority.

› FRASERS COMMERCIAL TRUST SIGNS SLL

Singapore-listed *Frasers Commercial Trust* has raised a S\$100m sustainability-linked loan to refinance debt, according to a stock exchange disclosure on Monday.

BRITISH AND MALAYAN TRUSTEE as trustee of the real estate investment trust obtained

the five-year loan, its first SLL, from *Bank of China Singapore branch*, which acted as the SLL coordinator.

The loan follows the Sustainability Linked Loan Principles of the Loan Market Association and the Asia Pacific Loan Market Association.

The interest margin steps down from the second year, subject to FCOT maintaining a Global Real Estate Sustainability Benchmark rating of not lower than four stars.

The GRESB is an environment, social and governance performance benchmark for real estate companies and funds.

Last December, *FCOT* and *Frasers Logistics & Industrial Trust* announced a proposed merger under which *FLT* will acquire all *FCOT* units for a combination of cash and new units in *FLT*.

If the merger becomes effective, *FCOT* will become a sub-trust of *FLT*, which will provide the GRESB ratings thereafter. The meetings to seek approval from unitholders of both REITs will be held on March 11.

FCOT invests primarily in commercial properties. As at December 31 2019, its portfolio included six commercial buildings located in Singapore, Australia and the United Kingdom with a combined appraised value of approximately S\$2.3bn.

RESTRUCTURING

› BREADTALK HIRES FOR CONSENT

BREADTALK GROUP will begin discussions this week with holders of its S\$100m (US\$71.6m) 4% bonds due 2023 following the appointment of *United Overseas Bank* as solicitation agent to seek consent to waive events of default.

The Singaporean bakery chain store owner disclosed last week that a steep decline in accumulated profits in 2019 had triggered a technical breach of a financial covenant, which has resulted in an event of default.

Breadtalk said in a response to queries from the Singapore Exchange last Wednesday that no acceleration notice had been sent by the bond trustee, with whom it was already in contact.

The company reiterated that the breach did not indicate its cashflow was adversely hit and that it expected to pay interest due on the notes as and when the payments were due. The next interest payment is due on July 17.

The company said it was evaluating all options to address the breaches, including the possibility of obtaining waivers and amendments to the covenants.

Bondholders are also closely monitoring a simultaneous development where a

voluntary conditional cash offer has been made by BTG Holding, a consortium led by Breadtalk's own chairman, for all Breadtalk's issued ordinary shares. If successful, BTG will delist the company.

Under the bond agreement, the cessation of trading on the stock exchange gives bondholders a put option which requires the bonds to be redeemed.

Barring unforeseen circumstances or any worsening of the present adverse business conditions, the Breadtalk group of companies can operate as a going concern for "a reasonable period of time," said the company's statement to the SGX.

Breadtalk's accumulated profits slumped 44.6% at end-2019 compared to end-2018 according to its financial results for fiscal year 2019 released on Monday.

► KRISENERGY GETS LONGER STAY

The Singapore High Court has granted cash-strapped **KRISENERGY** an extension to a moratorium against legal proceedings to May 27.

The current moratorium was due to expire on February 27.

The Singaporean oil exploration and production company is restructuring debt that includes a US\$200m revolving credit facility from DBS Bank, a S\$130m 4% bond due 2022, a S\$200m 4% bond due 2023 and a S\$139.5m zero coupon note due 2024.

KrisEnergy did not make interest payments of S\$2.7m on the 2022s on December 9. It also said it would skip principal and interest payments of US\$4.5m

due on February 21 on term facilities owed to HSBC and Standard Chartered Bank, as well as an interest payment of S\$4.164m due on February 22 on the 2023s. The company had missed an earlier interest payment in late August on the 2023s.

Drew & Napier is legal adviser and *Houlihan Lokey Singapore* is financial adviser to KrisEnergy.

► MICLYN PLANS MAY MEETINGS

MICLYN EXPRESS OFFSHORE will hold meetings on May 12 at which bondholders will vote on its debt restructuring proposals under a court-supervised scheme of arrangement.

A court hearing on the application by the cash-strapped provider of service vessels to hold formal meetings for creditors to vote will be held on March 16.

The timetable released in a SGX announcement last week showed a deadline of May 5 for bondholders voting in favour of the proposals to earn an early-bird bonus.

Investors holding US\$150m of 8.75% bonds will receive an early-bird bonus of 5% of the principal amount, capped at US\$10,000. This will be paid over three equal annual instalments after the company's scheme of arrangement is sanctioned. If the combined amount from the noteholders eligible for the bonus is more than US\$1.6m, the combined amount will be divided equally among these noteholders.

Bondholders will also be given a 12.5% stake in Miclyn's post-restructuring enlarged share capital.

The debt restructuring proposals will also see part of a DBS loan converted to a

US\$217m five-year loan with a 12-month moratorium on interest payments, while US\$12.5m of the bond will be converted to a 10-year zero-coupon bond. The company is proposing a waiver of outstanding unpaid interest on both the loan and bond facilities.

DBS Bank, which has first priority over secured assets, is owed US\$297m in secured principal amount and US\$44.1m in interest. Holders of US\$150m of the 8.75% bonds are owed interest of US\$32.7m.

SOUTH KOREA

EQUITY CAPITAL MARKETS

► BIG HIT HIRES FOUR FOR KRX IPO

South Korean music group **BIG HIT ENTERTAINMENT**, which manages K-pop stars such as BTS and TXT, has hired four banks to work on its planned KRX IPO targeted for the second half of this year, people with knowledge of the matter said.

JP Morgan, *Korea Investment & Securities* and *NH Investment & Securities* are the joint lead bookrunners and *Mirae Asset Daewoo* is the lead manager, according to the people. IFR reported earlier that Citigroup had also applied for a role in the IPO, but its bid was not successful.

Local media have reported analysts as saying that Big Hit is poised to pull off one of the biggest IPOs of the year with an estimated valuation of between W2trn and

Kores Resources skips Kangaroo for now

■ Bonds Company reassesses plans after jump in coronavirus cases in Korea

KOREA RESOURCES (Kores), rated A1/A (Moody's/S&P), has delayed a planned Kangaroo bond offering as market sentiment has worsened due to a spike in coronavirus cases in South Korea.

The government-owned company intended to price the deal on February 24 or 25 with a target issue size of A\$300m (US\$197.3m), according to a Kores official.

The issuer has a US\$350m note maturing on April 29 and was planning to tap the Kangaroo bond market for the first time for refinancing purposes.

"We have some time left until the maturity of the existing bonds so found no reason to come out now when the markets look extremely jittery," said the official.

The exact timing of when the company will come back to the market as well as the currency of the deal is yet to be decided.

"We are re-examining our plan to raise funds in Australian dollars now that we have pushed it back. Options like issuing bonds onshore as well as a US dollar offering are up for discussion," the official added.

Kores has mandated *Citigroup*, *BNP Paribas* and *JP Morgan* for the planned three or five-year debut Kangaroo issue and held investor meetings and calls in Singapore, Hong Kong and Australia in early February.

Separately, Kores priced a A\$60m private placement on February 14. *BNP Paribas* was the sole bookrunner.

The state of New South Wales last June granted mining leases for a coal mine controlled by Kores.

A US dollar deal by **KOREA NATIONAL OIL CORPORATION** (KNOC), rated Aa2/AA/AA-, is also in the pipeline. The government-owned oil and gas developer has mandated banks to refinance a US\$500m bond due March 27, but it said it has not been delaying the issue due to virus uncertainties.

"We've been looking for the right time to issue the bonds for internal cashflow reasons," said a KNOC official.

KNOC has hired *Citigroup*, *BNP Paribas*, *HSBC*, *UBS* and *KDB*.

JIHYE HWANG

W4trn (US\$1.65bn–\$3.3bn).

Founder and executive producer Bang Si-hyuk is the company's largest shareholder with a 43% stake. Its other major shareholders are gaming company Netmarble, the second biggest investor after it bought a 25.7% stake in 2018 for W201.4bn, and venture capital firm STIC Investment.

Big Hit, founded in 2005, posted revenue of W214.2bn and a net profit of W50.2bn for 2018, according to its website.

TAIWAN

SYNDICATED LOANS

» AU OPTRONICS BACK FOR NT\$26BN LOAN

LCD maker **AU OPTRONICS** has launched a NT\$26bn (US\$853m) five-year loan, nearly

two years after wrapping up a bigger syndicated borrowing.

Bank of Taiwan and *Chang Hwa Commercial Bank* are the mandated lead arrangers and bookrunners of the latest transaction, which comprises a NT\$16bn term loan tranche A and a NT\$10bn revolving credit tranche B.

The interest margin is tied to the borrower's after-tax net profit margin: 105bp over Taibor for an after-tax net profit margin below 0%, 100bp for 0%–2.9%, 89bp for 3%–5.9% and 84bp for 6% or more. The pre-tax interest rate floor is set at 1.7%.

Banks are being invited to join at four ticket levels. MLAs committing NT\$4bn or more or NT\$3.0bn–\$3.9bn will earn upfront fees of 30bp or 22bp, respectively, while co-arrangers taking NT\$2.0bn–\$2.9bn will receive an upfront fee of 13bp. Participants joining for NT\$1.0bn–\$1.9bn receive a 6bp fee.

The deadline for responses is March 20. Funds are for working capital purposes.

The borrower's previous syndicated loan – an increased NT\$42bn five-year financing in June 2018 with BoT as MLAB – offers the same interest margin as the latest borrowing. Banks were offered a top-level upfront fee of 36bp.

Last May, AU Optronics obtained a NT\$2bn three-year bilateral loan from DBS Bank Taipei, according to Refinitiv LPC data.

» WORLD PEACE SENDS RFP FOR LOAN

Electronic products distributor **WORLD PEACE INDUSTRIAL** has sent out a request for proposals for a loan of around NT\$10bn.

The company has asked banks to submit proposals by early March.

Funds are to refinance a NT\$7.2bn-equivalent three-year loan raised in August 2017 and for working capital.

Chang Hwa Commercial Bank, E.Sun Commercial Bank, Far Eastern International Bank, Hua Nan Commercial Bank, Mizuho Bank and Taiwan Cooperative Bank

CIP closes Taiwan's largest wind farm PF

■ Loans Sponsor wraps up NT\$90bn debt package

Danish infrastructure fund management company **COPENHAGEN INFRASTRUCTURE PARTNERS** has closed a jumbo multi-tranche project financing at around NT\$90bn (US\$2.96bn) in what is the largest debt package for Taiwan's booming offshore wind market.

The financing consists of a NT\$80bn-plus 18-year PF, a term loan of about US\$230m and a performance bond facility for the remaining amount.

A group of 21 international and Taiwanese lenders, and six export credit agencies are providing the debt.

Interestingly, and quite unusually, one of CIP's funds, Copenhagen Infrastructure II (CI II), is also participating as a lender on the PF as are other sponsors Taiwan Life Insurance and TransGlobe Life Insurance.

MUFG acted as financial adviser and CTBC as the local financial adviser for the project debt.

Of the 19 other lenders participating, only four were Taiwanese – *E. Sun Commercial Bank*, *EnTie Commercial Bank*, *KGI Bank* and *Taipei Fubon Commercial Bank*.

The other lenders include *ABN AMRO*, *Banco Santander*, *Credit Agricole CIB*, *DBS Bank (Taiwan)*, *DBS Bank Taipei branch*, *Deutsche Bank*, *HSBC*, *JP Morgan*, *KfW IPEX-Bank*, *Korea Development Bank*, *Mizuho Bank*, *Natixis*, *Oversea-Chinese Banking Corp*, *Societe Generale*, *Standard Chartered* and

Sumitomo Mitsui Banking Corp.

The NT\$80bn-plus 18-year project financing is further split into an export credit agency portion and a commercial piece.

Insurance cover for the ECA tranche is from Atradius of the Netherlands, EKF of Denmark, GIEK of Norway, K-Sure of South Korea, NEXI of Japan, and UK Export Finance.

The ECA tranche offers interest margins ranging from 105bp to 115bp over Taibor during the construction period, before stepping down to 75bp to 85bp during the first five years of operations. From the sixth year of operations until maturity, the margins will range from 85bp to 95bp.

The commercial tranche offers a margin of 240bp during the construction period, before stepping down to 210bp during the first five years of operations. From the sixth year of operations until maturity, the margin will step up to 230bp.

Banks were offered top-level upfront fees of 110bp and 165bp for the ECA and commercial tranches, respectively.

Funds are for the development of the 589MW Changfang and Xidao project located off the coast of Changhua county. In February last year, the project entered into a 20-year power purchase agreement with state-owned Taiwan Power. The project will use 62 wind turbine generators from Danish manufacturer MHI Vestas Offshore Wind.

Commissioning for a first phase of up to 100MW is scheduled for the end of 2021, with a second 500MW phase slated to commence in 2024.

In April 2018, Taiwan's Ministry of Economic Affairs awarded CIP a contract for two projects with a combined capacity of 900MW, including 600MW for wind farms in Changfang and Xidao, and 300MW for Site 29, all located off the coast of Changhua county.

CIP will develop Site 29 with partners China Steel and Diamond Generating Asia.

CIP has majority ownership of the project through its funds CI II and CI III. Taiwan Life Insurance, a wholly owned subsidiary of CTBC Financial Holding, and TransGlobe Life Insurance hold minority stakes.

Separately, Danish wind energy developer Orsted is in the market for a NT\$61.9bn 18-year project financing for its offshore wind farms in Changhua.

CTBC Bank and HSBC are the financial advisers of the borrowing, which is likely to comprise a NT\$29.3bn commercial tranche, a NT\$29.3bn ECA-backed portion, a NT\$2.6bn ancillary facility, and a NT\$700m pre-completion revenue facility.

These projects are also part of Taiwan's target to install 15.5GW of offshore wind power capacity by 2035.

EVELYNN LIN

were the mandated lead arrangers and bookrunners of that deal, which comprised a NT\$7.2bn revolving credit tranche A and a US\$240m revolving credit tranche B. The two tranches could not exceed a combined NT\$7.2bn-equivalent.

The NT dollar tranche A pays an interest margin of 60bp over Taibor with a pre-tax interest rate floor set at 1.7%, while the margin on the US dollar tranche B is 85bp over Libor. The borrower will pay any excess interest rate beyond a 40bp difference between TAIFX and Libor.

The borrower's previous loan market visit was in October 2018 for a NT\$12bn-equivalent three-year loan. Bank of China, Cathay United Bank, E. Sun Commercial Bank, Mega International Commercial Bank, Mizuho Bank, MUFG and Taiwan Cooperative Bank were the MLABs on that transaction, which comprised a NT\$12bn revolving credit tranche A, a US\$400m revolving credit tranche B and a NT\$8bn guarantee facility tranche C. The three tranches could not exceed a combined NT\$12bn-equivalent.

Tranche A has an interest margin of 55bp over Taibor, with a pre-tax interest rate floor set at 1.7%, while tranche B's margin is 85bp over Libor. The borrower will pay any excess interest rate beyond a 45bp difference between TAIFX and Libor. Tranche C offers a guarantee fee of 50bp.

TA YA ELECTRIC LAUNCHES PF

TA YA ELECTRIC WIRE & CABLE has launched a NT\$3.2bn five-year project financing backing the construction of a solar power plant.

Bank SinoPac is the sole mandated lead arranger and bookrunner of the transaction, which comprises a NT\$3bn tranche A and a NT\$3.2bn tranche B. The two tranches cannot exceed a combined NT\$3.2bn.

Tranches A and B offer interest margins of 145bp and 135bp over Taibor, respectively, with an after-tax interest rate floor set at 2%.

Banks are invited to join as MLAs with commitments of NT\$500m or more for an upfront fee of 30bp, or as participants with NT\$300m–\$499m for a 20bp fee. Commitments are due by March 20.

Funds are to back the construction of a solar power plant in Tainan city located on Taiwan's southwest coast. The total cost of the project is NT\$4bn.

A special purpose vehicle is the borrower, while Ta Ya Electric Wire & Cable is providing a letter of support.

Ta Ya Electric Wire & Cable last tapped the loan markets in June 2017 when its subsidiary Heng Ya Electric raised a US\$50m three-year loan, according to Refinitiv LPC data. Mega International

Commercial Bank and Taishin International Bank were the MLABs on that deal, which attracted five banks.

CAREER TECH RAISES MAIDEN LOAN

Taiwanese manufacturer of flexible printed circuit boards **CAREER TECHNOLOGY (MFG)** has raised a debut NT\$6.6bn five-year loan.

Bank of Taiwan was the sole mandated lead arranger and bookrunner of the facility, which comprises a NT\$3.6bn term loan tranche A and a NT\$3bn guarantee tranche B.

Tranche A offers an interest margin of 60bp over Taibor, with a pre-tax interest rate floor set at 1.7%, while tranche B offers an annual guarantee fee of 60bp.

Funds are for refinancing and working capital purposes.

For full allocations, see www.ifre.com.

FINA FINANCE INCREASES LOAN TO NT\$6BN

FINA FINANCE & TRADING has increased a three-year loan to NT\$6bn from a NT\$5bn target.

The deal attracted 10 banks in general syndication. Allocations are being finalised.

Taiwan Cooperative Bank was the mandated lead arranger and bookrunner of the transaction, which comprises a NT\$5bn tranche A and a NT\$3bn guarantee tranche B. The two tranches cannot exceed a combined amount of NT\$6bn.

Tranche A offers an interest margin of 75bp over Taibor, with a pre-tax interest rate floor set at 1.7%, while tranche B offers an annual guarantee fee of 65bp.

Banks are being invited to join as managers with commitments of NT\$600m or more for an upfront fee of 8bp, or as participants with NT\$300m–\$599m for a 4bp fee.

Fina's previous visit to the loan market was in May 2019 for a NT\$4.3bn three-year borrowing. Land Bank of Taiwan was the MLAB on that transaction, which comprises a NT\$2.87bn tranche A and a NT\$1.43bn guarantee tranche B. Tranche A offers an interest margin of 75bp over Taibor, with a pre-tax interest rate floor set at 1.7%, while tranche B offers an annual guarantee fee of 65bp.

Fina Finance, a subsidiary of Chailease Finance, provides financing services to small and medium-sized companies in the construction and transportation sectors.

EQUITY CAPITAL MARKETS

YAGEO GDR WINS APPROVAL

Shareholders have approved **YAGEO CORP's** plan to sell global depositary receipts in a deal which could raise about US\$1.08bn.

The Taiwanese electronic components

maker announced in January it planned to sell up to 80m shares in the form of GDRs. Based on the company's closing price of NT\$410 today, the deal could raise some NT\$32.8bn (US\$1.08bn).

Yageo plans to use the proceeds for working capital, to purchase materials overseas, and for loan repayments and capital expenditure.

Last November, it announced a plan to acquire US rival Kemet Corp for US\$1.8bn. The takeover is expected to close in the second half of 2020.

Citigroup, the sole M&A adviser on the Kemet acquisition, is also close to the GDR sale.

Yageo shares slid 7% last Friday but were still up 22% in the past three months.

THAILAND

DEBT CAPITAL MARKETS

BERLI JUCKER SETS MARCH DATE

BERLI JUCKER, rated A+ by Tris, plans to raise up to Bt12bn (US\$377.9m) from a multi-tranche bond offering next month to refinance a maturity of the same amount.

The Thai consumer products maker is sounding out institutional and high-net-worth investors on a potential offering of three to 12-year bonds. Bookbuilding is scheduled for March 10 with subscription to be held on March 18-19. Settlement is planned for March 20.

Proceeds will be used to refinance a Bt12bn 3% three-year bond that will mature on March 24.

Bangkok Bank, Kasikornbank, Krungthai Bank and Phatra Securities are joint lead managers.

Berli Jucker is expected to return for a second fundraising this year as it has another Bt17.9bn of bonds due to mature on June 8. The company raised Bt38bn in two bond sales last year.

TRUE RINGS FOR TRIPLE NOTES

Thai integrated telecoms company **TRUE**, rated BBB+ by Tris, has printed Bt5.48bn of bonds, just short of the maximum target of Bt6bn.

A Bt500m 1.25-year tranche will pay 2.88%, a Bt4.33bn three-year tranche will pay 3.43% and a Bt650m 5.5-year tranche 4.65%. Pricing for all three tranches was at or near the wide ends of price guidance. The respective tranches were offered at initial guidance of 2.62%–2.88%, 3.19%–3.45% and 4.39%–4.65%.

Settlement was made on February 17. Bangkok Bank, Kasikornbank and Siam Commercial Bank were joint lead managers for the deal.

ICBCTL REVISITS ZERO PLANS

ICBC THAI LEASING is planning to issue a multi-tranche bond at end-March to raise up to Bt7bn.

Tenors of one to five years are being pre-marketed, with the tranches to be finalised before bookbuilding which is scheduled for March 31. Under current plans, tenors of one to four years will be structured as zero-coupon bonds and the five-year tranche will be a fixed-rate piece.

The leasing company had originally planned to sell the Bt7bn bond in November last year but postponed it for unknown reasons. It has Bt4bn of bonds due to mature in April and another Bt2.8bn maturing in May.

Bangkok Bank and Kasikornbank remain as joint lead managers for the deal.

The notes are locally rated AAA by Fitch to reflect the leasing company's importance to Industrial and Commercial Bank of China (Thai)'s business.

HONDA LEASING PLANS RARE RIDE

HONDA LEASING THAILAND is returning to the bond market after more than 10 years with plans to sell three-year notes next month.

The auto consumer financing company is looking to raise up to Bt3bn.

The bonds are rated AAA by Tris to reflect a guarantee from parent Honda Automobile Thailand, a subsidiary of Japanese giant carmaker Honda Motor. The ultimate parent is extending a keepwell agreement which will further raise investor protection.

Honda Automobile's guarantee will cover all amounts due up to Bt3.3bn, including principal and accrued interest.

Bangkok Bank and Bank of Ayudhya are joint lead managers for the deal. Bookbuilding is scheduled for March 12.

Honda Leasing Thailand has no outstanding bonds. It last printed Bt3bn of 1.5 and three-year notes in September 2008.

VIETNAM

SYNDICATED LOANS

BARING RAISES US\$70M TO BUY STAKE

BARING PRIVATE EQUITY ASIA has raised a US\$70m five-year club loan to back its purchase of a majority stake in an operator of English language training centres in Vietnam, marking its first investment in the country.

Nine banks participated in the transaction, which offers an interest margin in the high 300s.

Signing took place in mid-February.

Asia-focused BPEA acquired the stake

in Vietnam USA Society English Centres, the largest provider of English language training services in the South-East Asian nation. It operates 20 centres across Vietnam, enrolling approximately 200,000 students annually.

For full allocations, see www.ifre.com.

THACO UNIT LAUNCHES US\$160M LOAN

A real estate subsidiary of Vietnamese auto manufacturer Truong Hai Auto (Thaco) has invited banks to join a US\$130m borrowing in senior syndication.

Maybank is the sole mandated lead arranger and bookrunner on the 30-month amortising loan, which pays an interest margin of 250bp over Libor and carries a US\$30m greenshoe option.

The borrower is DAI QUANG MINH REAL ESTATE INVESTMENT JOINT STOCK COMPANY, while parent Thaco is the guarantor.

The deal is slated for launch into general syndication in mid-March.

Dai Quang Minh invests in infrastructure, urban areas and real estate in Ho Chi Minh City, Quang Nam, Ben Tre, and Dalat.

The borrowing is the second offshore loan from the Thaco group in three months.

In December, Thaco increased its maiden five-year borrowing to US\$210m from an original US\$180m target after attracting 10 lenders in general syndication.

Standard Chartered Bank was the sole MLAB of the amortising term loan, which pays an interest margin of 250bp over Libor.

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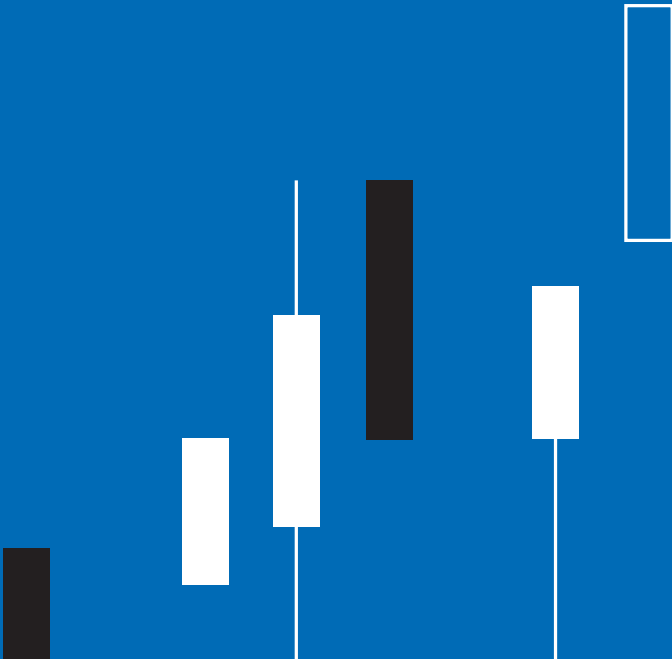
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