

IFR **ASIA**

INTERNATIONAL FINANCING REVIEW ASIA

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Follow the leader

China's response to the coronavirus outbreak shows that the capital markets regulators have finally ripped up their old playbook. In the long run, that will ensure the domestic market comes through the crisis stronger.

The pace of primary equity issuance has traditionally been a reliable gauge of sentiment in the A-share market. In a bullish market, the securities regulator allows more companies to sell new shares, confident that there is enough demand to absorb the additional supply. In tougher times, approvals for IPOs and share placements routinely dry up, for fear that deals will put too much pressure on the wider market.

That approach, however, is changing.

The latest set of reforms, announced with immediate effect on February 14, make it easier for listed companies

The way the CSRC is handling the crisis fits with recent moves to allow market forces a greater say in domestic equity offerings.

to sell more shares to fund their expansion plans. Though the move was flagged three months ago, the timing is no coincidence: regulators clearly linked the measures to the virus outbreak, saying it would help companies raise capital to restart their operations.

Remarkably, China's capital markets have remained open for business throughout the coronavirus crisis. IPOs are still very much allowed, and investors are still enthusiastic about new listings, even if some companies have been forced to postpone their plans for logistical or operational reasons.

This is the precise opposite from the way the CSRC has handled previous crises, but it fits with recent moves to allow market forces a greater say in domestic equity offerings.

The Star board, the new technology-focussed platform introduced in Shanghai last year, ushered in a simplified review process for IPOs and scrapped unofficial limits on pricing. The new follow-on rules – which apply to all listed companies in Shanghai and Shenzhen – are an extension of that.

Allowing bigger deals and deeper discounts will give

Chinese companies some welcome flexibility to withstand the fallout from the coronavirus outbreak, and it was no surprise to see dozens of applications last week. This is not just a temporary solution, though. Once the crisis abates, the benefits of a more accessible equity market will be here to stay.

Green wind

Sydney Airport deserves praise for putting the sustainability-linked format on the radar in the Asia Pacific bond markets. If the concept is to really take off, however, future issuance will need to be much more transparent.

Australia's biggest airport has established a reputation as a pioneer of sustainable finance, having completed Asia Pacific's largest syndicated sustainability-linked loan in May 2019.

Last week's bond issue in the US private placement market included a sustainability-linked 20-year tranche that comes with an unusual two-way pricing structure: the coupon will rise or fall depending on Sydney Airport's performance against its sustainability targets.

Incentivising and disincentivising issuers in this way is a massive step for the capital markets. This being a US private placement, however, the details of that pricing grid remain undisclosed.

Banks and their clients may understandably want to keep their formula under wraps, but that approach is not going to help scale up sustainable financing to the extent needed to combat climate change.

Sustainability-linked pricing is catching on quickly in the syndicated loan market, where lenders are willing to incentivise good behaviour in order to grow their own green and socially responsible portfolios.

Fixed income investors, naturally, prefer fixed coupons, and it will take a monumental effort to convince price-sensitive Asian fund managers to pay for performance in this way.

When it comes to the public markets, a penalty clause has a greater chance of catching on with bond buyers. Italy's Enel last year agreed to a 25bp step-up if it fails to meet certain sustainability targets by the end of 2021, using language that ordinary bondholders can easily understand – similar to a ratings trigger or a call option on a perpetual bond.

Any step to promote sustainable investment in the Asia Pacific's capital markets is of course a welcome development. Bringing these novel concepts into the mainstream just takes that little bit longer.

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Lenders grapple with virus fallout

■ **Loans** Novel strategies in focus as syndications stall

BY LPC ASIA PACIFIC TEAM

The uncertain fallout from the coronavirus outbreak in China has paralysed syndications across Asia, as lenders struggle to assess the damage to Chinese businesses and borrowers that rely heavily on Chinese demand.

China has locked down entire cities and restricted travel to limit the spread of the epidemic, with serious implications for Chinese companies and global supply chains. US technology giant Apple warned that it would not meet its revenue guidance for the March quarter because of slower iPhone production and weaker demand in China.

Companies that rely heavily on Chinese tourists are also at risk, as dozens of countries and airlines have imposed travel restrictions.

"Some of our loans brewing before the Lunar New Year holidays are on hold now because some of our Chinese clients are still on leave and their factories remain shut,"

said a banker from a leading international bank focused on China.

Lenders are struggling to obtain credit approvals for the worst-affected sectors, which

means loans that are already in the market could face delays. The planned syndication of a loan



Follow-on rules get a following

■ **Equities** China eases restrictions to help listed companies access additional capital

BY KAREN TIAN, FIONA LAU

Dozens of Chinese companies have announced or amended follow-on offerings in the past week, taking advantage of new rules making it easier to raise funds amid the coronavirus outbreak.

Thirteen listed companies have announced plans to sell more shares since the China Securities Regulatory Commission introduced new rules on equity refinancing on February 14, with the goal of enhancing the role of the capital markets in serving the

real economy.

At least another 44 have updated existing filings to reflect the new, more flexible issuance rules.

Although most of the reforms had been flagged in a month-long market consultation last November, the regulator explicitly linked the move to the virus outbreak, saying that the changes would help listed companies fight the epidemic and resume manufacturing.

"Market participants generally welcome the implementation of the new rules at the moment as stock

markets are holding up quite well despite the outbreak," said a Beijing-based banker.

As of last Thursday, the Shanghai Composite Index was up 1.76% month to date thanks to government measures to support the economy.

The new rules give listed companies much more flexibility to raise funds from follow-on offerings, removing barriers that had made the A-share market unattractive for capital-intensive sectors such as technology and healthcare.

Issuers can now sell new shares equal to up to 30%

of their existing capital in a follow-on offering, up from the previous 20% and a surprise relaxation from the changes put out to consultation last year.

The floor price for a follow-on offering will be 80% of the 20-day average before the pricing day, down from the previous 90%.

The lock-up period for investors in private placements will be shortened to six to 18 months from 12 to 36 months. Also, up to 35 investors can participate in a private placement, up from five to 10 under previous rules.

"The shorter lock-up period

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for a REIT with a portfolio of mainland Chinese properties has been pushed back indefinitely.

The impact on the loan market has spread far outside China. **SCAPE AUSTRALIA MANAGEMENT** is said to have extended the deadline on a loan of about A\$1.4bn (US\$968m) for its acquisition of a portfolio of student housing run by Urbanest to allow prospective lenders more time to assess the potential impact to the business, given that a large percentage of the students are from China.

A US\$68.5m five-year loan to refinance a construction loan for the Waldorf Astoria hotel in Bangkok for Thai high-end real estate developer **DTGO** is also being closely watched.

"A few clients are increasingly opting for club loans instead of syndicated deals or requesting us to prefund syndicated loans with delayed roadshows," said one Jakarta-based banker.

Macau's gaming sector is also in the spotlight after the city's government closed all casinos for 15 days earlier this month. Some were allowed to reopen last week, but with strict limits on table numbers and mandatory health checks for punters and

staff. Weekly tourist arrivals to the city in early February were down as much as 98% on last year.

MGM CHINA HOLDINGS last week asked lenders to waive the leverage covenants on a HK\$9.75bn (US\$1.24bn) loan for the next 12 months.

"If the situation drags on and affects cashflows, borrowers will seek waivers and deferred repayments. It is not a given that every borrower will succeed in obtaining the same, but this period will demonstrate to them how much support they can extract from lenders," said another senior loans banker in Singapore.

The new coronavirus disease, named Covid-19, has killed more than 2,100 people and infected over 75,000, mostly in Hubei province in central China. That makes it more deadly than the 2003 outbreak of Severe Acute Respiratory Syndrome, caused by another coronavirus, which killed 774 people, including almost 300 in Hong Kong.

WEB PRESENTATIONS

Roadshows and bank meetings for loans from at least three Asian borrowers have been

switched to dial-in conferences – a development unheard of in a region where attendees view such events as an opportunity to establish or enhance their relationships with borrowers.

TRANS RETAIL INDONESIA, a unit of Indonesian conglomerate Trans Corp, held a webinar last Wednesday, rather than a bank meeting, as part of its pitch to potential lenders for a US\$740m-equivalent five-year dual-currency loan. Over 150 bankers participated in the webinar.

China's state-owned **BEIJING CONSTRUCTION ENGINEERING GROUP** held a conference call on February 7 for a US\$100m three-year loan, while **VIETNAM TECHNOLOGICAL & COMMERCIAL JOINT STOCK BANK** (Techcombank) is doing the same on March 2 for a US\$300m three-year debut loan.

"In my nearly two decades in this industry, I have not come across any instance of a roadshow being conducted in this way," said a senior loans banker in Hong Kong. "The coronavirus is really hitting everyone hard."

SARS EXPERIENCE

Back in 2003, Sars dented

appetite for loans in the property and hospitality sectors in Hong Kong and Singapore. Hong Kong, in particular, bore the brunt and loan volumes tumbled 44% year on year for the first half of the year to just US\$7.3bn, according to Refinitiv LPC data.

Blue-chip property borrowers, however, retained the support of their banks. Some of the biggest loans in Hong Kong in 2003 were from Sun Hung Kai Properties, NWS Holdings, Hang Lung Properties and Hongkong Land, among others.

This year's coronavirus outbreak has hurt the banking hubs of Hong Kong and Singapore in equal measure. Volumes are expected to take a hit as lenders become selective, especially when it comes to debut borrowers.

That does not bode well for a region that is already reeling from the trade war between China and the US that has been raging for nearly two years. Loan volumes from Asia (ex-Japan) in 2019 dropped 4.25% year on year to US\$464.24bn despite Hong Kong posting an all-time record of US\$137.48bn. ■

and the size of the discount are the two most important parts in the new rules," said the banker.

Companies can decide whether to set the price on the day they win board or shareholder approval, or on the first day of the offering as required under the previous rules.

Regulatory approvals will be valid for 12 months, up from the previous six, again giving companies more flexibility to time their capital raisings based on market conditions and their share price performance.

FUNDRAISING RUSH

"If I had a listed company, I would definitely carry out a follow-on now as A-share

markets have been really good lately. It's a good chance to do deals," said one analyst.

ASYMCHAM LABORATORIES (TIANJIN), **FUJIAN YUANLI ACTIVE CARBON** and **WUXI LONGSHENG TECHNOLOGY** were first to react to the new rules by announcing amended follow-on plans on February 16.

Asymchem managed to attract Hillhouse Capital Management to invest as a strategic investor for Rmb2.3bn (US\$331m) as the company can now sell shares at a deeper discount. The pharmaceutical research and development services provider originally planned to sell shares to up to 10 investors.

ChiNext-listed Yuanli Active Carbon and Longsheng Tech also quickly amended their

respective Rmb883m and Rmb230m proposals.

They increased the proposed offerings to 30% of existing capital from 20%, raised the number of proposed investors to 35 from five, decreased the floor price of the offerings to 80% of the 20-day average before the pricing day, from 90%, and amended the lock-up period to six months from 12 months.

The market reacted positively, with shares in all three companies hitting the 10% cap on one-day gains last Monday.

Among the 50-plus companies that have since issued new, or updated, filings, **BANK OF NINGBO** is also seeking shareholder approval to amend

the terms of a planned Rmb8bn private placement.

The bank, which counts OCBC Bank Singapore as its second-largest shareholder, passed a CSRC hearing for the deal in October but has not opened it up to subscription yet.

It is proposing to increase the number of potential investors to up to 35 and to decrease the floor price to 80% of the 20-day average trading price.

As of February 13, 109 companies with a combined Rmb234bn target were in the queue for a CSRC review of their planned private share placements. Of these, 24 have cleared CSRC hearings, 82 are under review, and three are on hold. ■

Sydney puts ESG bonds on radar

■ **Bonds** Australian airport sells first sustainability-linked bond in US private placement

BY JOHN WEAVERS

SYDNEY AIRPORT raised A\$600m (US\$402m) equivalent from a multi-tranche US private placement that included the first sustainability-linked bond issue outside of Europe.

The A\$100m 20-year tranche comes with an innovative two-way pricing structure, whereby interest rate payments will rise or fall depending on Sydney Airport's sustainability performance, as assessed by independent third party Sustainalytics.

Sydney Airport told IFR that its climate resilience, electrification and airspace and airfield efficiency programmes will facilitate continued progress across the metrics identified by Sustainalytics. Sustainalytics measures ESG outcomes including sustainability performance and disclosures covering corporate governance, safety and waste.

"Our sustainability-linked tranche reinforces our commitment to sustainability leadership and provides additional motivation to drive

further improvement in our sustainability performance," said Sydney Airport CFO Greg Botham.

A banker close to the transaction said sustainability-linked pricing aimed to drive behavioural changes in companies by incentivising good practices and disincentivising poor behaviour.

Variable pricing is rare in the bond market, but interest has been growing since Italian energy company Enel launched a US dollar benchmark last September. In Enel's case, the coupon will step up 25bp if it fails to increase renewable energy to at least 55% of its installed capacity by the end of 2021.

Sustainability-linked instruments are seen as complementary to traditional ESG bonds and of particular benefit to issuers who would otherwise not be able to sell traditional green bonds.

"Once the structure is understood, it is just a matter of bringing buyers and sellers together," said Geoff Schmidt, general manager of corporate

finance for North America at NAB. "This tranche was driven by two investors but there are many more interested in ESG-linked deals."

Matthew Carr, MUFG's head of DCM for Australia and New Zealand, said the deal was "an outstanding outcome providing a direct link between the airport's sustainability performance and its funding costs".

Last May, Sydney Airport raised A\$1.4bn through a multi-tranche sustainability-linked loan, the largest such syndicated financing for the airport sector globally, comprising A\$570m three-year, A\$530m four-year and A\$300m five-year portions.

The proceeds of the new bonds will be used to repay all drawn bank debt, unlock additional liquidity to cover future debt maturities and fund planned investment, according to the airport.

RECEPTIVE MARKET

In addition to the A\$100m 20-year sustainability-linked bond, Sydney Airport raised A\$220m and A\$120m from standard 20-year and 30-year bonds.

The busiest airport in Australia also sold US\$50m and €50m (US\$54m) of 15-year bonds with all five tranches having four-month settlement periods that close in June.

This was Sydney Airport's third transaction in the US private placement market, following A\$380m and A\$400m trades in 2014 and 2018.

Though pricing details were not released, Sydney Airport stressed the new bonds benefited from a more than 150bp decline in Australian dollar base rates since its previous US private placement in October 2018.

The US private placement market has long been an attractive destination for Australian corporates seeking long-dated funding that is not readily available at home.

In the first half of 2019, Australian and New Zealand companies, primarily from the utility, industrial, property and infrastructure sectors, raised US\$6.7bn from the US private placement market.

This represented a 14.5% market share and the largest supply from any country outside the US, according to the Private Placement Monitor.

NAB, MUFG and Scotiabank were joint agents. ■



China issuers head off refi crunch

■ **Bonds** Property developers among those turning to short-dated paper

BY DANIEL STANTON, CAROL CHAN

Several Chinese companies, especially from the property sector, are turning to the offshore bond market to avert a refinancing crunch as the coronavirus crisis continues.

Issuers with bonds coming due in the first half of 2020 are most at risk from the uncertain market environment, as the virus outbreak makes it hard to predict the impact on their business or their access to funding. Adding to their difficulties are delays in obtaining offshore bond quotas from the National Development and Reform Commission.

"The approval process seems to be taking longer," said a banker from a Chinese bank. "There are officials in the office and we can reach them – however, I heard that some are still working from home so there are some delays in obtaining approval signatures."

That has led some Chinese companies to sell US dollar bonds with maturities of less than one year, which do not require NDRC approval. Since the Lunar New Year holiday, seven issuers have sold such bonds, including five from the property sector.

ZHENRO PROPERTIES' US\$200m 363-day offering on Wednesday priced 52.5bp inside initial guidance at 5.6% and drew a huge US\$3bn order book.

Some may simply be using the structure so that they can take advantage of good market conditions that may not last by the time they have a fresh quota for longer-term funding, but others may have an urgent need for funds.

"I think more issuers, especially property developers, may seek to issue 363-day bonds to meet their liquidity needs, given the uncertainties in obtaining NDRC approval and the negative impact on their cashflows due to the

coronavirus outbreak," said the banker at a Chinese bank.

Another source from a European bank said that issuers were only issuing 363-day notes when they had genuine funding needs and sticking to sensible

to repay a US\$165m bond due in June, according to the rating agency.

"These companies will be likely to look to issue new debt to refinance their maturities, but if this is not possible they

"I think more issuers, especially property developers, may seek to issue 363-day bonds to meet their liquidity needs, given the uncertainties in obtaining NDRC approval and the negative impact on their cashflows due to the coronavirus outbreak."

US\$200m–\$250m deal sizes.

"I've approached some developers advising them to issue 363-day bonds to take advantage of the low funding cost, but some of them refused and expressed concern over the refinancing pressure when the bonds are due," he said. "It shows that issuers remain self-disciplined."

BOND RUSH

Six Chinese property companies sold US dollar bonds last week, resuming a rush to market despite the travel restrictions that remain in place in mainland China. Issuers included **YANGO GROUP**, **MODERN LAND (CHINA)**, **CHINA SOUTH CITY** and Zhenro Properties, all Single B credits, proving that the offshore market remains open for low-rated borrowers.

Fitch has identified 10 Chinese companies that face high or moderate refinancing risks in the first half of the year.

Five are classed as high risk, and four of those are property developers: **YIDA CHINA HOLDINGS**, which Fitch rates CCC; and Hydoo International Holding, Xinhua Zhongbao, Guorui Properties, all of which Fitch rates B-. The other, Hilong Holding (B+), which makes oil and gas drilling equipment, told Fitch it had enough cash and undrawn credit facilities

will endeavour to dispose assets to maintain liquidity," wrote Fitch.

The Chinese government has ordered homebuilders to close sales offices and stop construction in certain cities to contain the outbreak. China Evergrande Group, one of the country's biggest developers, which also has one of the biggest offshore debt piles in the sector, cut the prices of its properties by 25% this month, though it did not give specific reasons for the discounts.

Fitch wrote that smaller homebuilders which find it difficult to access funding will be the most affected by refinancing pressures.

The upcoming maturity of a US\$300m bond on April 19 is not Yida's only problem: the dollar bond dropped four points to 68/72 on Friday after it disclosed that executive director Chen Donghui had been detained by the Public Security Bureau in accordance with the laws of the PRC. No further details were announced.

Hydoo has a US\$45m bond due on May 9, Xinhua Zhongbao has a US\$648m bond due March 1, and Guorui has a US\$30m bond due March 21 and a US\$100m bond due June 7.

ONSHORE STRESS

Fitch also identified five issuers with moderate refinancing risks

in H1 2020: Yunnan Provincial Energy Investment Group, China Grand Automotive Services Holdings, Century Sunshine Group Holdings, and property companies Hong Yang Group and Oceanwide Holdings.

Yunnan Energy has Rmb7bn (US\$1bn) onshore bond maturities in H1 2020 exceeding its forecast end-2019 cash balance, according to Fitch, but the rating agency says the refinancing risk is manageable because most of it is short-term commercial paper, which is easier to roll over than long-dated paper.

Developers Hong Yang and Oceanwide have first half maturities of US\$250m and Rmb1.7bn, respectively.

Earlier this month, research provider CreditSights wrote that the onshore repo market could indicate which developers faced funding stress.

Bondholders can sell securities and buy them back at a higher price as a form of short-term lending. The stock exchange repo market is open to participants including non-bank financial institutions, corporates and retail investors, and has a shorter settlement period than the wholesale repo market, making it quicker to react to market sentiment.

The stock exchange repo market imposes a haircut on the value of the bonds pledged as collateral, determined partly by the China Securities Depository and Clearing Corp based on credit ratings and bond covenants, and partly by historical trading prices.

Corporate bond repos start at 0.70x–0.95x the value of the collateral, so CreditSights argues that if a particular issuer's pledge ratio is cut to 0.5x or lower it indicates that the CSDC or onshore investors have concerns about funding stress.

Property developers Tahoe Group, Sunshine 100, Modern Land, Jingrui, Fantasia, Xinhua Zhongbao and Greenland Group all have pledge ratios below 0.5x, it wrote. ■

India tax plan threatens REITs

■ **Equities** Mindspace REIT listing may become first casualty of government proposal

BY S ANURADHA

The Indian government's planned overhaul of the taxation of dividends has put a dampener on the country's nascent real estate investment trust and infrastructure investment trust markets.

Finance Minister Nirmala Sitharaman's proposal in her 2020-21 budget to scrap the dividend distribution tax currently paid by companies and replace it with a dividend withholding tax paid by shareholders has been broadly welcomed as a move to bring India's equity market in line with other major markets - notably the US.

However, the move would also end a tax exemption for REIT investors, who would become subject to tax at a rate of 10% for local retail investors, rising to as much as 40% for sponsors and other high-net-

worth investors. This would put at risk a market which was expected to increase its asset size to US\$50bn over the next few years from US\$10bn now,

and InvITs pay 90% of their income as dividends.

Sponsors of REITs and InvITs have appealed to the government to exclude these

"The dividend which is proposed to be taxable for the unit-holders is going to have a long-term impact on the investments in REITs or InvITs. The step will project an unstable picture of India as an investment destination especially in the real estate and infrastructure space which are at this point of time reeling under pressure."

analysts said. Parliament is set to vote on the plan before the end of April.

With investor demand muted for infrastructure and property shares, InvITs and REITs have been the only way to attract investors to these sectors because of the promise of high dividends, analysts say. REITs

instruments from the proposals and are awaiting a response.

The proposed tax change could have a far-reaching impact in India as InvIT and REIT plans have been drawn up for road, power transmission, commercial estate and gas pipeline assets since 2017.

"The dividend which is

proposed to be taxable for the unit-holders is going to have a long-term impact on the investments in REITs or InvITs," said Sigrid Zialcita, CEO of the Asia Pacific Real Estate Association. "The step will project an unstable picture of India as an investment destination especially in the real estate and infrastructure space which are at this point of time reeling under pressure. There are chances that the investments may be diverted elsewhere."

FIRST VICTIM

MINDSPACE BUSINESS PARKS REIT, which plans to become the second listed REIT in India, is set to be the first victim of the new proposal.

It was targeting a first-quarter launch for its Rs40bn (US\$560m) IPO, encouraged by the success of the Embassy

Aussie corporate faces new test

■ **Bonds** Aurizon's mining links in focus as European buyers stretch tenors

BY JOHN WEAVERS

Australia's booming corporate bond market faces fresh challenges in the weeks ahead that may test the appetite of a broadening but increasingly circumspect investor base.

Significant new buyers have appeared this year, including a large European fund which cornerstoned the recent A\$500m and A\$300m 12-year MTNs from local REITs **DEXUS** and **GENERAL PROPERTY TRUST**, both of which secured A\$1bn order books.

Such demand would have been unthinkable just a couple of years ago, according to Sydney syndication bankers, who cite the continuing search for yield in a low interest rate

world for the interest in long-dated issues Down Under.

"Previously, Japanese life companies were the main

funds had been reluctant to stray too far from the index-tracking five-year sweet spot, but things are clearly

"Even a year ago I would not have expected Australian funds to look at 12-year corporate bonds, but what Dexus and GPT showed is a new willingness to get involved in deals that have gained momentum and are backed by a cornerstone investor."

buyers of long-dated Australian dollar bonds but even they tended to draw the line at ten-and-a-half years," one said. "European interest was almost unheard of, while many local

changing."

A DCM manager concurred: "Even a year ago I would not have expected Australian funds to look at 12-year corporate bonds, but what Dexus and GPT

showed is a new willingness to get involved in deals that have gained momentum and are backed by a cornerstone investor."

AURIZON TEST

Among the potentially trickier transactions ahead is a proposed 10-year or longer MTN offering from **AURIZON NETWORK**.

The Baa1/BBB+ (Moody's/S&P) rated operator of Australia's largest coal-export rail system begins Asian and Australian investor meetings on February 24, arranged by Mizuho, NAB and Westpac, having last accessed the market in June 2017 with a A\$425m seven-year MTN.

Though the overall investor base is clearly expanding for longer-dated corporate paper, the buy-side has become more

Office Parks REIT.

However, the REIT, sponsored by K Raheja Corp and Blackstone, is likely to miss the deadline as it awaits clarification on the proposed dividend tax change.

"The March deadline will be difficult to achieve if no clarification comes from the government," a person with knowledge of the transaction said. "Although the new tax rule does not affect foreign investors and local mutual funds, sponsors and high-net-worth investors will be badly hit."

Typically, sponsors own 75% of a REIT or InvIT and hence receive most of the dividend. Foreign investors in various low-tax countries will not face a heavy burden under the proposal, while local mutual funds are not required to pay taxes on dividends.

The government will also be hit indirectly by the tax measures having only recently allowed state-owned companies to set up InvITs.

POWER GRID CORPORATION OF INDIA

is planning an up to Rs100bn InvIT IPO later this year and the country's largest toll-road operator, **NATIONAL HIGHWAYS AUTHORITY OF INDIA**, was given cabinet approval last year to form an InvIT. State-owned **PTC INDIA** (formerly Power Trading Corp) is also planning an InvIT.

In the REIT sector, new listings are expected from **PRESTIGE ESTATES**, **RMZ**, **GODREJ PROPERTIES** and **PANCHSHIL REALTY**, although the companies have not disclosed details.

According to its draft prospectus, Mindspace plans to sell Rs10bn primary shares and an undisclosed number of secondary shares in the IPO.

The REIT comprises commercial properties with a total leasable area of 29.5 million square feet. The properties are located in the Indian cities of Mumbai, Pune, Hyderabad and Chennai.

Axis, Ambit, Bank of America, Citigroup, CLSA, HDFC Bank, ICICI Securities, IDFC Bank, JM Financial, Kotak, Morgan Stanley, Nomura and UBS are the lead managers. ■

sector and credit-specific to reflect clients' growing demand for socially responsible assets.

This bias was underlined last month when French investor Amundi, Europe's biggest fund manager by assets, boycotted a conventional €500m (US\$540m) 12-year Eurobond from US real estate company Public Storage because of its low ESG rating of Single B from MSCI, its second-lowest rating category.

In contrast, GPT has been in the top 5% of the Dow Jones' Global Real Estate Industry Sustainability Index every year for the last decade.

Aurizon Network will be keen to market itself as a transport infrastructure credit with no direct role in mining during its roadshow, which is set to be very well attended, according to the lead managers.

Such a distinction is unlikely to convince ESG-focused investors out of Europe, while

demand among Australian asset managers may be constrained by their expanding green-targeting mandates.

The syndication banker is not expecting any major backlash, however. Appetite for bonds issued by mining-heavy states Western Australia and Queensland has remained strong, despite the well-publicised withdrawal of Sweden's Riksbank, and local investors have a greater understanding of the Aurizon business model.

"Though new and existing investors are pushing Australian asset managers away from non-green instruments, vanilla funds remain large and active, underpinned by the superannuation system, whereby 9.5% of employees' salaries are automatically transferred to pension funds," he said. "I expect Aurizon to attract plenty of demand." ■

Aussie ECM roars back

■ **Equities** Five deals raise a combined A\$2.6bn in a week

BY CANDY CHAN

Undeterred by the coronavirus epidemic that has cast a shadow over the global economy, equity capital markets in Australia have been unusually active, and there may be more to come.

Last week, five primary and secondary follow-ons raised a combined A\$2.6bn (US\$1.7bn), headlined by a A\$1.05bn Wesfarmers block trade in food and liquor retailer **COLES GROUP**.

"Market sentiment is strong, at least in the secondary market. The good reception shows investors are not too bothered by the virus," said a person close to one of the deals. "I'll expect more blocks and placements to come in the next couple of months."

As usual in the mature Australian market, many follow-on offerings are driven by mergers and acquisitions, which often happen during reporting months such as February, said another person close to the deals.

One example is a A\$500m equity raising by **ORICA**, an Australian supplier of explosives to the mining and other industries, to acquire Latin American peer Exsa. Meanwhile **CHARTER HALL RETAIL REIT** has raised A\$90m from a placement to increase its stake in a portfolio of BP petrol stations in Australia.

Last week also saw **BENDIGO AND ADELAIDE BANK** raise A\$250m from a placement to strengthen its balance sheet and **VIVA ENERGY** sell its entire stake in Viva Energy REIT for A\$734m. There were also smaller equity raisings from software service company **CITADEL** and healthtech company **RESAPP HEALTH**.

CASHING IN

Strong share prices have prompted some shareholders to cash in. The ASX All

Ordinaries index is up 6.3% year to date and 16.3% over the past year.

Since they were spun off from Wesfarmers last year, Coles shares have risen by more than a third to a record high of A\$17.25 on February 11, leading the Perth-based conglomerate to offload a third of its stake a week later.

Similarly, Viva Energy REIT's shares hit a three-month high at A\$2.92 last Monday. Three days later, parent Viva Energy sold its entire 35.5% stake in the REIT. Two Charter Hall entities acquired a combined 10% and the other 25.5% went to institutional investors through a block trade. Viva Energy said the divestment would enable future capital management activities, such as share buybacks.

Wesfarmers sold 65.4m shares or 4.9% of outstanding in Coles at A\$16.08, a 4% discount to the pre-deal close. The stock slid to A\$16.04 the following day, before gaining to A\$16.15 on Thursday.

Wesfarmers remains the second-largest shareholder in Coles with a 10.1% interest, which gives it the right to nominate a director to the Coles board.

Wesfarmers managing director Rob Scott said the partial sale had locked in a strong return for shareholders while maintaining the strategic alignment and collaboration between the two companies and enabling mutually beneficial growth initiatives.

Coles posted earnings before interest and tax of A\$725m for the half-year period to January 5, up slightly from A\$722m a year earlier.

Macquarie Capital and *UBS* were the joint bookrunners on the Coles block trade. ■

DBS sets yet another AT1 record

■ **Bonds** Singaporean bank prints at lowest coupon globally, as other deals line up

BY DANIEL STANTON, CAROL CHAN

DBS GROUP HOLDINGS made a promising start for bank capital issuance in Asia this year by achieving the world's lowest coupon for US dollar Additional Tier 1 notes – again.

The Singaporean bank priced a US\$1bn perpetual non-call five AT1 offering at par to yield 3.3%, inside initial guidance of 3.65% area. Books were five times subscribed.

This beat the previous lowest coupon of 3.6%, which DBS set in its 2016 issue.

The bank was thought to have priced flat to its curve, with the DBS AT1s callable in 2021 seen at 2.846% and United Overseas Bank's AT1s callable in 2023 at 3.07%. In a sign of how far yields have compressed recently, just 15 months ago DBS sold a US\$1.25bn Triple A rated three-year covered bond at a yield of 3.3%.

"In a low-rate environment, being able to buy DBS paper at 3.3%, albeit subordinated, was very attractive for investors in Asia and Europe," said Raj

Malhotra, head of DCM for Asia Pacific at joint bookrunner *Societe Generale*. "With the virus and all these other headlines around Asia, to be able to deliver this show of strength is very impressive."

The trade came a day after **BNP PARIBAS** set a record low coupon for a US dollar AT1 from a European bank. Its US\$1.75bn perpetual non-call 10 transaction, rated Baa1/BBB-/BBB-, priced at 4.5% last Wednesday.

DBS's notes have expected ratings of Baa1/BBB (Moody's/Fitch), but the far tighter yield shows the confidence investors have in the bank and the jurisdiction, as well as the relative rarity of Singaporean bank capital paper.

Asia's first offshore AT1 deal of the year also provides a solid benchmark for the region's other banks as they prepare to issue capital securities.

BANK OF COMMUNICATIONS (HONG KONG), rated A2/A-/A, held calls last week held calls ahead of a proposed US dollar Basel III-compliant AT1.

BoCom, Citigroup and HSBC

are joint global coordinators on the Reg S issue. They are also joint bookrunners and joint lead managers with *Bank of China, 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*.

The non-cumulative perp non-call five capital securities have expected ratings of Ba2/BB+ (Moody's/Fitch).

That deal is expected to be around US\$500m.

BANK OF CHINA has received approval from the China Securities Regulatory Commission to issue up to Rmb20bn (US\$2.86bn) equivalent of offshore preference shares, according to a filing.

BOC will monitor the market to decide when to launch the deal, said two people familiar with the situation.

"If feedback from investors is positive, the deal may launch as soon as this month. The issuer aims to achieve an optimal rate in terms of funding cost," said

one of them.

Last year, Chinese banks preferred to raise Tier 1 capital onshore, encouraged by domestic investor demand for the new perpetual structure allowed by the central bank. BOC redeemed its US\$6.5bn offshore AT1s on the first call date of October 23 last year without issuing more dollar securities to replace them, but others may now refinance in the offshore market.

"A number of banks have call dates coming up this year and next around the region, so we expect the capital space to be busy, whether it's Tier 1 or Tier 2," said SocGen's Malhotra. "Yields are very attractive to issuers and still make sense to investors, so it's a good time to beef up your capital."

Final orders for DBS's offering were over US\$5.5bn from 304 accounts. The notes were bid at 100.4 in early trading on Friday.

DBS was sole global coordinator and structuring adviser. It was also joint bookrunner with *Citigroup* and *Societe Generale*. *Wells Fargo* was passive lead manager. ■

Yen issuers call off roadshows

■ **Bonds** Virus containment measures keep new issues on hold after quiet January

BY TAKAHIRO OKAMOTO

Foreign issuers are postponing or cancelling roadshows in Japan as the coronavirus continues to spread, making the yen bond market even quieter than it already was in January due to less favourable pricing than the US dollar and euro markets.

"We have cancelled all roadshows in February and March," said a DCM banker at a Japanese house. "We'll see how this will affect the market, but I think new issues will be pushed back."

Bankers in Tokyo are hesitant to ask issuers to come and meet

Japanese investors.

"If an issuer wants to come, we are happy to arrange face-to-face meetings, but we are not in a position to ask issuers to come to Japan now," a second Japanese banker said. "Our company is advising us to cancel business trips and seminars with a large number of people."

Domestic issuers as well as foreign ones are cancelling roadshows.

"We have cancelled group presentations by domestic issuers, too," a third Japanese bank told IFR. "The problem is that we don't know when this

virus ends," he said.

The spread of the virus appears to be slowing in China, but that is not the case in Japan. While most of the confirmed cases are passengers of the virus-hit Diamond Princess cruise ship, other cases are rising as well and have hit 84 as of February 20, according to Japan's health ministry.

The coronavirus crisis is another blow for the yen market after a very slow start to the year. So far this year, there have been only two foreign public bond offerings, by *Malayan Banking* and *Societe Generale*, in stark contrast to

the US dollar and euro markets where many issuers have rushed to secure competitive spreads compared to what the yen market can offer.

"The real impact of the cancellations may materialise in May," traditionally a busy issuance month, said a banker at a foreign bank in Tokyo.

Although other markets have quickly embraced virtual roadshows to overcome travel restrictions, net roadshows are not popular in Japan where face-to-face contact is preferred.

"I hope we will have more net roadshows and investor calls because of this situation," said a fourth banker. "Or maybe we can invite investors to our office and do video conferences [with issuers overseas]". ■

Formosa bond sales rebound

■ **Bonds** New issues up 7x over 2019 as more big redemptions loom

BY JIHYE HWANG

Formosa bond sales are set for a sharp rebound this year as over US\$40bn of bonds reach call dates, potentially freeing up billions of dollars cash for reinvestment.

Foreign issuers including **VERIZON** and **AT&T** have raised around US\$14bn to take advantage of the liquidity in the Taiwanese market so far this year, more than seven times the amount sold in the same period a year ago and already more than half of last year's US\$25bn annual total.

"Some US\$12bn has been called among US\$45bn of Formosa bonds that are callable this year," said Ed Tsui, head of Asia Pacific debt syndicate at Deutsche Bank. "We expect market liquidity to remain strong throughout the year."

Formosa bonds, which are locally issued foreign currency-denominated securities, are popular among cash-rich

Taiwanese life insurers, which typically prefer high-rated bonds with long maturities. Several deals in recent years have come with 30-year tenors and the shortest call option allowed, set at three years before 2017 and five years thereafter.

With the 30-year US Treasury yield trending down, a glut of callable bonds are set to be redeemed in 2020, freeing up investment quotas for local investors. Taiwan's Financial Supervisory Commission included Formosa bonds in insurers' overseas investment limits in 2018.

A global markets head in Taiwan at a European bank expects US\$49bn of Formosa bonds to become callable in 2020, including US\$16.4bn where issuers have already announced plans to exercise the call option. Around 80%-90% of investors are switching to new Formosa issues once the notes are called, he said.

Ultra-low funding costs elsewhere, however, have

raised questions over whether the global borrowers – mainly US blue-chip companies and international banks – will revisit the Taiwanese market.

"The issuers can always return to their home markets, but keep in mind that Taiwanese investors are open to call options that are pretty much free," said the regional global markets head. "I am very comfortable in saying that there will be US\$30bn-plus of issuance this year given that we're already half-way there."

40-YEAR TENORS

Another DCM banker at a local securities house expected about US\$24bn to be redeemed this year, adding that not every issuer will revisit the Formosa bond market.

"Those who do refinance into a new Formosa offering will issue bonds with longer tenors like 40 years to meet the lifers' yield targets," the banker said.

In the biggest example, Verizon priced a US\$2.385bn 3.6%

40-year non-call five bond on February 6.

Still, bonds with 30-year tenors also went well. AT&T raised US\$2.995bn from a 4% 29.25-year non-call 5.25 bond on February 13, the largest ever corporate Formosa bond, according to *Deutsche Bank*, one of the bookrunners with *BNP Paribas*, *Citi* and *Morgan Stanley*.

Global banks including Citigroup and JP Morgan have issued in Taiwan this year, as have some Middle Eastern lenders, including Qatar Islamic Bank with a US\$800m Formosa sukuk.

Next month, another wave of redemptions for callable Formosa bonds from issuers such as **APPLE**, **Pfizer** and **COMCAST** are expected.

"Apple and Pfizer have already announced their plans to call the bonds and we're now paying close attention on the Comcast Formosa," said the global markets head.

Apple printed a US\$1bn 30-year callable note in 2017 with a first call date on March 3. Pfizer's US\$1.065bn 30-year note is redeemable on March 17 and Comcast may call its US\$1.005bn 2047s on March 15. ■

Acleda eyes Cambodia IPO record

■ **Equities** Frontier market in line for major liquidity boost

BY S ANURADHA

ACLEDA BANK is planning to launch a momentous IPO in the fledgling Cambodian stock market next month with the country's largest float to date and the first from the banking sector.

So shallow is the Cambodian stock market currently that the listing is likely to more than treble total market capitalisation from 2.6% to 9% of GDP, a person with knowledge of the deal said.

"We are hoping this IPO will take Cambodia to where Vietnam was in 2006," the person said.

According to an investment teaser, Acleda is planning to raise CR328bn–CR381bn (US\$81m–\$93m) at a range of CR15,000–CR17,400 per share.

Institutional books will open between March 3 and March 14 and the retail offer between March 23 and April 4. Trading will start on April 27. The timetable is subject to approval from the Securities and Exchange Commission of Cambodia this week.

The IPO is shaping up as a major liquidity event for a stock exchange that only started operations in 2012 and has just five listings. Cambodia's largest IPO to date was that of Sihanoukville Autonomous Port for CR108bn in June 2017.

"Although the focus of the bank is to get as many local investors, we are hoping that foreign investors will also see the potential of Cambodia and

buy the IPO. Some Chinese and Korean investors have shown interest so far," the person with knowledge of the transaction said.

Neighbouring Vietnam launched a stock market in 2000, but progress remained slow until 2006, when a surge in valuations unleashed more IPOs from state-owned companies. In a little over a decade the market saw billion-dollar IPOs from the likes of Vietnam Technological and Commercial Joint Stock Bank, Vincom Retail and Vinhomes.

Some analysts, however, are unsure about the response from foreign investors. Ruchir Desai, a fund manager at Asia Frontier Capital, said the

European Union's decision to revoke duty-free rights for certain garments and shoes made in Cambodia could have a negative impact on the economy and the outbreak of the coronavirus will have an adverse impact on tourism, a key driver of the economy.

Acleda's valuation is also not cheap compared to peers in other frontier markets. The top of the range implies a price-to-book multiple of 2 while banks in the more developed markets of Bangladesh, Pakistan, Sri Lanka and Vietnam are trading at 1.5 times or below.

Acleda's net interest income rose 12% to US\$304.6m in 2019 from US\$271.9m in 2018. Net profit rose 56% to US\$130.9m from US\$84m.

Taiwanese-owned *Yuanta Securities* is the sole financial adviser on the transaction. ■

TOP STORY RESULTS

HSBC bets the house on Asia

Anglo-Asian lender also plans 35,000 job cuts in major overhaul

HSBC is set to shift assets in its investment bank from its struggling European and US businesses to its faster growing and more profitable Asia and Middle East operations under a major overhaul aimed at lifting returns.

Under the revival plan unveiled by interim CEO Noel Quinn last week, HSBC plans to axe about 35,000 jobs and cut annual costs by US\$4.5bn in an effort to increase return on tangible equity to 10%–12% in 2022. It was 8.4% last year.

The plan includes cutting about US\$100bn of risk-weighted assets from Europe and the US, mostly from the global banking and markets business. HSBC said it will reallocate the assets to faster growing areas, notably Asia and the Middle East. Quinn has set up an RWA optimisation team to sift through assets to sell or run down.

HSBC will shrink its equities platform as part of the plan. Cash equities sales and research coverage will be scaled down, including coverage of mid-sized firms in continental Europe, to narrow focus on international and mid-sized UK clients and support the equity capital markets business. The bank also plans to cut back in rates and will stop G10 long-term derivatives market-making in the UK.

It will move some fixed income activity from New York to London to benefit from scale, and shift the structured product business from London to Asia. Middle and back-office functions will be merged in GBM and commercial banking.

The bank said that in contrast to the cuts in Europe and the US, it will be accelerating investment further east.

“We saw a pressing need to reallocate capital away from underperforming businesses to support the growth of higher returning businesses where we have competitive advantage,” Chairman Mark Tucker told reporters on a conference call.

“The board and executives were also

“We saw a pressing need to reallocate capital away from underperforming businesses to support the growth of higher returning businesses where we have competitive advantage... The board and executives were also acutely aware of the need to improve efficiency, reduce costs and inject pace.”

acutely aware of the need to improve efficiency, reduce costs and inject pace.”

Investors gave a lukewarm response to the plan, however, and HSBC’s London-listed shares fell 6% on the day of the news. Some were disappointed not to get certainty on whether Quinn will implement the three-year plan.

Tucker said he plans to announce a permanent CEO by the end of August, as planned. Quinn was installed as interim CEO in August. He is seen as the leading candidate

– if the restructuring proceeds well.

JOBS GO

Quinn said he expects headcount to fall to about 200,000 in 2022 from 235,000 now.

The bank has natural turnover of about 25,000 staff a year, so it will try to reduce headcount by natural attrition. That should also save on severance costs.

HSBC estimated about 30% of its capital is allocated to businesses that are delivering returns below their cost of equity, primarily in Europe and the US.

Some US\$258bn of the bank’s RWAs are in GBM, but that is set to be reduced by about US\$50bn by 2022, to account for less than 25% of group assets. It could result in almost half of GBM’s assets being in Asia.

“What we’re doing with GB&M recognises the inherent strength of where it is – it’s a very good emerging markets franchise, particularly in Asia and the Middle East,” said Ewen Stevenson, the bank’s finance director.

“We’re going to build capability in places like Singapore and Hong Kong as we can see continued growth in those areas and we want to shift more of the balance sheet over time and rebalance away from London,” Stevenson said.

HSBC also wants GBM to play to its strength in transaction and trade banking, cash and liquidity management, and its top-three foreign exchange platform.

CORONAVIRUS WARNING

HSBC unveiled the strategic update as it

Who’s moving where...



■ **NATIXIS** has appointed *Bruno Le Saint* as head of corporate and investment banking in Asia Pacific as part of a shake-up of senior personnel globally. Le Saint replaces *Alain Gallois*, who has held the role since 2016 and has been appointed global

head of investment banking. Both appointments are effective April 1. Gallois is a replacement for *Mohamed Kallala*, who has been tapped to run global markets, with current head *Luc Francois* due to leave the bank. Kallala will start his new role on March 1.



■ **JP MORGAN** has appointed *Tim Huang* as head of corporate banking for China as part of a trio of hires. Huang replaces *Julia Wu*, who recently left the bank. Huang was most recently at Bank of America. Joining Huang is *Nancy Cheng*, who has been appointed to the newly created role of

head of new economy for APAC corporate banking. She joins from Citigroup. *Alan Lin* has also been appointed as APAC head of core cash management for wholesale payments. He was previously with Standard Chartered.

reported a pre-tax loss of US\$3.9bn for the fourth quarter after taking a goodwill charge of US\$7.3bn related to GBM and commercial banking businesses in Europe. Adjusted profit was up 29% at US\$4.3bn, while adjusted revenues rose 9% to US\$13.6bn.

The results highlighted the importance of Asia to the bank – the region accounted for 55% of last year's revenues and 84% of adjusted profits.

The coronavirus does pose short-term problems, however, and the bank warned there will be an economic impact on its clients which it expects to result in weaker growth in the first half of this year.

HSBC said that pre-tax profit for 2019 dropped by 33% to US\$13.3bn, hit by the fourth-quarter writedowns. On an adjusted basis, pre-tax profit was up 5% at US\$22.2bn and revenues increased 6% to US\$55.4bn.

GBM's adjusted profit in 2019 fell 9% year on year to US\$5.3bn, hurt by an underwhelming performance in Europe.

Global markets' adjusted revenues fell 8% to US\$5.8bn as fixed income, currencies and commodities income dropped 6% and equities revenues declined by 16%. Both areas underperformed the big five US banks, which reported a 9% rise in FICC revenues and a 7% decline in equities in 2019.

In global banking, effectively the advisory and underwriting unit, HSBC's revenues dipped 2% to US\$3.9bn, in line with US peers.

GBM is far more focused on transaction banking type products, however, and revenues for securities services and global liquidity and cash management increased by 6% to US\$2bn and 7% to US\$2.8bn, respectively.

THOMAS BLOTT, STEVE SLATER

Huawei accuses US of ignoring HSBC misconduct

US prosecutors overlooked apparent violations of US sanctions against Iran by HSBC in exchange for the UK bank's cooperation with a government investigation of Huawei Technologies, lawyers for the Chinese telecoms giant said.

"The government agreed to overlook HSBC's continued misconduct, electing not to punish the bank, prosecute its executives or even extend the monitorship," Huawei's lawyers wrote in a February 10 letter filed in the US District Court in Brooklyn, New York. The letter was seen by Reuters last Tuesday.

In return, "HSBC agreed to cooperate with the government's efforts to depict Huawei as the mastermind of HSBC's sanctions violations and supply witnesses to the government's stalled investigation of Huawei," the lawyers wrote.

In an indictment unsealed last year, Huawei was charged by the US with bank fraud and violating sanctions against Iran. Federal prosecutors added more charges to the case this month.

The indictment accuses Huawei and its chief financial officer, Meng Wanzhou, of conspiring to defraud HSBC and other banks by misrepresenting Huawei's relationship with Skycom Tech Co, a suspected front company that operated in Iran.

The new claims by Huawei relate to a five-year deferred prosecution agreement HSBC agreed to in 2012 for disregarding rules designed to prevent money laundering and processing transactions that violated sanctions.

Huawei's lawyers say that, after HSBC obtained the deferred prosecution agreement, the bank continued to process Iran transactions through its New York branch and concealed the conduct from a court-appointed monitor. It also failed as late as 2017 to implement compliance measures it had promised in order to secure the agreement.

"The Justice Department determined that HSBC met all of its obligations, including

"HSBC agreed to cooperate with the government's efforts to depict Huawei as the mastermind of HSBC's sanctions violations and supply witnesses to the government's stalled investigation of Huawei."

its sanctions obligations, under its 2012 deferred prosecution agreement," the bank said in a statement.

Huawei has pleaded not guilty. Meng, the daughter of Huawei's founder, was arrested in Canada on a US warrant in connection with the case. She has said she is innocent and is fighting extradition.

Reuters exclusively reported last February that HSBC conducted an investigation into Huawei's connections with Skycom that helped lead to the charges against the Chinese company.

Huawei is seeking documents from the HSBC investigation of the company and reports from the monitor, which it says "appear certain" to contradict the allegations in the indictment.

A spokesman for federal prosecutors in Brooklyn declined to comment.

KAREN FREIFELD

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■ **UBS** has appointed **Martin Yule** as Asia Pacific head of research to replace **Damien Horth**, who is due to take on the new role of global head of new business initiatives. Both report to **Daniel Dowd**, global head of investment bank research, and the appointments are

effective March 1. Yule joined UBS in 2016 and has served as deputy head of APAC research. He spent most of his career at Morgan Stanley. Horth joined UBS in 2002 and was named APAC research head in 2010.



■ **MUFG BANK** has hired **Colin Richmond-Wells** as head of transaction banking for Oceania. Based in Sydney, he reports to **Hideki Nakashiro**, MUFG's Oceania head, and to **Vivek Batra**, head of transaction banking for Asia and Oceania. Richmond-Wells was most recently

the London-based head of client management for global liquidity and cash management at HSBC, having joined the bank in Sydney in 2007. He also previously worked at Citigroup and National Australia Bank.

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Coronavirus slows Belt and Road Initiative

When President Xi Jinping made his first state visit this year to Myanmar and signed new infrastructure contracts, there was no indication of the obstacle about to trip up China's plan for railways, ports and highways around the world: the coronavirus.

Travel restrictions to prevent the spread of the disease, which has now killed more than 2,100 people, have idled much of China and choked major elements of Xi's signature Belt and Road Initiative.

Chinese workers cannot get to overseas projects, and factories are cut off from the Chinese imports they need to keep running, according to more than a dozen company executives and officials.

"Many factories in China remain closed; those that are open cannot reach full capacity," said Boyang Xue, a China analyst at consulting firm Ducker Frontier. "Since many BRI projects tend to source equipment and machinery

from manufacturers based in China, the disruptions in industrial production and supply chain will cause further delays."

One giant project, **CHINA RAILWAY INTERNATIONAL GROUP**'s US\$6bn high-speed railway in Indonesia, is on a war footing.

The state enterprise has set up a task force to monitor the coronavirus's spread and urged all Chinese employees who went home for the Lunar New Year holiday not to return to Indonesia, a senior executive with the company said on condition of anonymity, as he was not authorised to speak to the media.

The company has stopped more than 100 Chinese personnel, mostly skilled workers or managers, from returning to the project linking Indonesia's capital Jakarta with the textile hub of Bandung, about 140km away, the executive said.

DISRUPTION

China's top regulator of state-run companies said in a briefing last Tuesday that the outbreak has caused "difficulties" on some overseas projects and investments.

The country "has already communicated with overseas companies, overseas owners, and governments as early as possible

to gain support and understanding," said Peng Qinghua, secretary general of the State-owned Assets Supervision and Administration Commission.

Several Chinese companies in Indonesia, including **TSINGSHAN HOLDING GROUP**, **GEM CO** and **ZHEJIANG HUAYOU COBALT** saw nickel and cobalt projects disrupted as the country stopped flights from China in early February and denied entry to people who had been in mainland China in the previous 14 days.

"The new projects may be postponed a little, but not that much," said an executive at one of the companies, who had planned to travel to Indonesia before the travel ban made it impossible.

More than 133 countries have imposed entry restrictions on Chinese citizens or people who have visited China, according to the Chinese National Immigration Agency.

The challenge of the coronavirus to Belt and Road contracts follows a pushback in 2018 when officials in Indonesia, Malaysia, Sri Lanka and elsewhere criticised projects there as costly and unnecessary.

China scaled back some plans after several countries sought to review, cancel or scale down commitments, citing

Oaktree sets up China NPL unit

OAKTREE CAPITAL has become the first US investor to set up a wholly owned subsidiary in China to invest in the country's distressed debt market, moving swiftly after US firms won greater access to non-performing loans under the phase one trade agreement between the two countries.

Oaktree (Beijing) Investment Management Co was established with registered capital of US\$5.42m, according to a statement from Beijing's financial regulatory department last Monday. Oaktree declined to comment when contacted by IFR.

Its foray into the Chinese bad loan market follows last month's phase one deal, which will allow US asset management companies to acquire NPLs directly from banks for the first time.

Previously, US investors have been restricted to buying bad loans on a bulk basis, defined as three or more bad loans, indirectly through the country's state-owned asset management companies.

The phase one trade agreement said that US investors would now be able to apply for provincial licences to acquire NPLs directly from banks and would be treated on the same terms as Chinese investors when

national licences are rolled out.

Though details are still sketchy (the China Banking and Insurance Regulatory Commission is expected to issue more detailed rules shortly), several US investors told IFR they welcomed the development, saying that bypassing the AMCs would lower overall transaction costs and increase transparency.

"The cost of capital varies between the different AMCs and from one year to the next, but I would say that, on average, when purchasing an NPL portfolio from them, you can expect to see a mark-up of 6%-7%, which obviously eats into our returns," said one investor.

"There have been cases where I've seen fees as low as 1%, which is usually when we've asked the AMCs to purchase a portfolio we've put together on our behalf, but in those cases, we don't know for sure we'll be able to buy it as the AMC has to put the portfolio up for auction. These new rules remove that uncertainty."

LOCAL COMPETITION

According to research from PwC, NPLs and stressed assets in China's banking

system total around US\$1.5trn, although opportunities for foreign investors to purchase NPLs to date have been few and far between.

The big four AMCs – China Cinda Asset Management, China Huarong Asset Management, China Orient Asset Management and China Great Wall Asset Management – dominate the NPL market and foreign investors have historically faced stiff competition from domestic investors in the secondary market.

PwC recorded just 14 deals last year in China involving foreign investors, equivalent to around US\$1.1bn in total, although this was up from 13 the previous year, or roughly US\$900m.

However, several factors are now starting to tilt the scales in favour of foreign investors. Firstly, China's slowing economy and new rules introduced at the end of last year requiring banks to classify any loans overdue more than 90 days as NPLs are expected to increase the overall supply of bad loans.

Secondly, domestic investors have seen their own funding curtailed by China's clampdown on shadow banking, particularly around the sale of wealth management products.

Finally, the big four AMCs are also

concerns over costs, erosion of sovereignty, and corruption.

BROKEN SUPPLY CHAIN

The coronavirus has also started to disrupt the supply chains that give companies access to crucial machinery and components.

The offices of Chinese senior managers stand empty at the Cambodia Sihanoukville Special Economic Zone, which describes itself as a “landmark project” on the Belt and Road Initiative and is home to more than 160 businesses and over 20,000 workers.

Employees from Chinese-run factories told Reuters that most of the workers there were local, but that the greater challenge was their dependence on supplies from China.

That “could elongate project timelines, for example, which might raise costs,” said Nick Marro, global trade lead at the Economic Intelligence Unit and a China analyst.

And although that might only affect operations in the first quarter – depending on whether the virus is contained – slower Chinese growth will have a regional and global impact, he said.

KEITH ZHAI, MATTHEW TOSTEVIN

facing capital pressure and are keen to offload more bad loan portfolios. According to PwC, the four AMCs reached an equilibrium point in the first half of last year when for the first time the volume of NPL resolutions, including sales, was equal to the volume of acquisitions.

Despite the requirement for foreign capital, several market observers said they expected Beijing to take a piecemeal approach when it comes to granting new licences to investors to purchase NPLs directly from banks.

“It makes sense that the authorities want to start with the provincial licences to begin with,” said Andrew Fei, senior associate at law firm King & Wood Mallesons. “There are already well over 50 provincial AMCs so another US company with a local business scope isn’t going to be that disruptive nationally.

“If you start at the national level, where there are only four, that could be quite a change. Although, over time, you can imagine regulators gradually allowing investors to set up holding companies that own licensed subsidiaries in multiple provinces and then eventually allowing them to apply for national licences.”

THOMAS BLOTT

US SEC issues warning over Chinese audits

The US securities regulator said last Wednesday it was pushing the big four accountancy firms to ramp up internal controls on audits of US-listed Chinese companies, especially in light of growing business risks posed by the coronavirus.

The US Securities and Exchange Commission has been locked in a decade-long struggle with the Chinese government to inspect audits of US-listed Chinese companies. The regulator’s Public Company Accounting Oversight Board is still unable to access those critical records, it said.

That has become a greater worry as the coronavirus outbreak poses a threat to New York-listed Chinese companies as well as to Chinese suppliers of other US-listed firms.

The SEC said on Wednesday it had been pressing the largest accounting firms, which audit roughly 140 US-listed Chinese companies, to ensure they are scrutinising how firms are managing and disclosing the risks.

The regulator said it had also asked the firms to keep an eye on the impact of the virus on audit quality since the coronavirus had caused personnel disruptions in mainland China and Hong Kong.

“How issuers plan and respond to the events as they unfold can be material

to an investment decision, and we urge issuers to work with their audit committees and auditors to ensure that their financial reporting, auditing and review processes are as robust as practicable,” the SEC chair Jay Clayton said in a joint statement with the chairman of the accounting board.

The PCAOB, which was set up by the 2002 Sarbanes-Oxley Act as a private sector, nonprofit corporation overseen by the SEC, is tasked with policing the accounting firms that sign off on the books of the nation’s listed companies.

The audit quality issue has been festering since 2011, when scores of Chinese firms trading on US exchanges were accused of accounting irregularities.

On Wednesday, Clayton said the SEC would extend some flexibility to companies whose disclosure filings cannot be completed as scheduled, with appropriate auditor review, due to business disruption by the coronavirus.

“The staff will determine whether to provide additional guidance and relief as appropriate for affected parties,” Clayton said. “Relief may be made available on a case-by-case or broader basis as circumstances merit.”

Reuters reported earlier this month that auditors for listed Chinese companies will likely struggle to complete their work by stock exchange deadlines because of travel bans and other restrictions designed to limit the spread of the new coronavirus.

KATANGA JOHNSON

IN BRIEF

Westpac Banking Corp FY20 costs to rise significantly

WESTPAC BANKING CORP said last Wednesday its 2020 profit would be hit by a rise in costs related to improving risk management systems in the wake of a money-laundering scandal and the country’s deadly bushfires. Westpac, which previously expected a 1% increase in costs for the year, said those projections would likely increase due to better risk management practices in response to regulatory pressure in the aftermath of accusations including the facilitation of offshore payments relating to child exploitation. “Westpac remains committed to materially lifting its approach to risk management. As a result, we are identifying further issues to address,” the Sydney-based bank said in a limited trading update.

The country’s number two bank said that since

Austrac, Australia’s financial crime watchdog, sued it for 23 million alleged breaches of anti-money laundering laws in November, “the number of regulatory investigations and reviews into the group’s businesses has risen”.

The bank was now prioritising the screening and reporting of transactions indicative of child exploitation to Austrac within 24 hours, and expected to develop and fund a A\$30m (US\$19.9m) “impact framework” programme to “address child safety and human rights”, the statement said.

Westpac also pegged insurance claims for calamities, including the bushfires and hailstorms earlier this year, at A\$140m before taxes and said bushfire relief for customers would cost it an additional A\$26 million, which would be booked in the second half of fiscal year 2020.

As of the end of 2019, Westpac’s common equity Tier 1 capital ratio stood at 10.8%, only



1bp higher than what it was on September 30, as it was dragged down by A\$500m in extra capital required by the banking regulator due to Austrac's claims.

People's Bank of China Cut to loan prime rate

China cut its benchmark lending rate, as widely expected, as the authorities move to lower financing costs for businesses and support an economy jolted by a severe coronavirus outbreak. The one-year loan prime rate, the new benchmark lending gauge introduced in August, was lowered by 10bp to 4.05% from 4.15% at the previous monthly fixing. The five-year LPR was lowered by 5bp to 4.75% from 4.80%. All 51 respondents in a Reuters snap survey had expected a reduction in the LPR, with 38 respondents, or about 75% of participants, tipping a 10bp cut to both tenors. Thursday's LPR cut followed a similar move in the central bank's medium-term lending rate on Monday. Investors are betting the authorities will roll out more monetary easing and fiscal stimulus in the near term to help smaller businesses that are struggling to tide over the crisis. Mayank Mishra, macro strategist at Standard Chartered in Singapore, said the LPR cut may not be enough to overcome the economic impact of the virus. "The Chinese authorities are sending a message that easing will happen, but it will happen at a measured pace. They do not want (to) fuel expectations that they will be easing aggressively," Mishra said. "We expect more monetary easing in the form of

100bp in the reserve requirement ratio and 10bp in the medium-term lending facility in addition to what we've already seen." The People's Bank of China has pledged to use tools such as targeted reserve requirement cuts, relending and rediscount to support key sectors affected by the outbreak, having already injected over US\$200bn in liquidity in a bid to help lower financing costs.

Oversea-Chinese Banking Corp Record profit for third year

OVERSEA-CHINESE BANKING CORP recorded a third consecutive year of record profits, although its chief executive warned that the outbreak of the coronavirus had clouded the near-term outlook. OCBC said on Friday that net profit last year came in at S\$4.87bn (US\$3.48bn), up 8% on the back of a 7% increase in net interest income and double-digit growth in non-interest income. For the fourth quarter, net profit shot up 34% to S\$1.24bn as non-interest income jumped 58% to S\$1.31bn, led by higher fees from wealth management and transaction banking, in particular. Global treasury and markets had a strong Q4 with operating profit rising 80% to S\$179m after a decent showing in fixed income, although corporate and investment banking dipped 13% to S\$333m because of higher allowances. CEO Samuel Tsien warned that loan growth was likely to be slower this year, having expanded 3% last year, due to the coronavirus outbreak, which has so far claimed over 2,100 lives and infected tens of thousands more.

UNITED OVERSEAS BANK deputy chairman and chief

executive Wee Ee Cheong also warned on Friday about the impact of the coronavirus even as the bank booked full-year profit of S\$4.34bn, an increase of 8% and also a record. Quarterly profit rose 10% to S\$1.01bn as net interest income increased 2% to S\$1.64bn, led by loan growth of 3%. Net fee and commission income edged up 2% to S\$476m with wealth management faring well.

Banca Monte dei Paschi di Siena Hong Kong banking licence returned

Italian lender **BANCA MONTE DEI PASCHI DI SIENA** has surrendered its Hong Kong banking licence, according to a circular from the Hong Kong Association of Banks. The surrender of the licence to the Hong Kong Monetary Authority is effective February 14, according to the circular seen by LPC Basis Point. This is part of the bank's restructuring plan under which it has also terminated operations in London and New York since the end of 2018, according to the bank's interim report released on September 30 last year. Earlier this month, MPS reported a €1.2bn (US\$1.3bn) fourth-quarter loss because of tax changes, and failed to meet EU profit goals for 2019 as agreed under the Italian bank's bailout terms. Italy rescued the lender in 2017 from buckling under a pile of bad loans after years of mismanagement, but must re-privatise MPS by the end of next year. MPS was founded in 1472, making it the world's oldest bank still in existence.



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AUSTRALIA

DEBT CAPITAL MARKETS

› TCorp DEBUTS EURO, TCV FOLLOWS

NEW SOUTH WALES TREASURY CORP, rated Aaa/AAA (Moody's/S&P), made its debut in the euro market on February 14 with a €60m (US\$66m) sale of 0.609% 30-year Eurobonds arranged by *Merrill Lynch* and *UBS*.

TCorp met global investors last year after updating its previously dormant US\$10bn EMTN programme on June 4.

Before the latest trade the state funding arm had only sold one offshore bond issue since the EMTN programme was established in December 2012 – a Rmb1bn (then US\$163.5m) 2.75% one-year note in November 2014.

The first Dim Sum bond from an Australian state was seen as a largely symbolic trade, underlining growing trade and currency links with China.

TCorp has several other modest-sized long-dated foreign currency bond issues outstanding from before 2012, including £44.4m (US\$56m) of February 2039s, ¥15bn (US\$139m) of April 2039s and SFr130m (US\$133m) of April 2041s, but nothing approaching benchmark size.

Instead, TCorp – like all other Australian state treasurers – has focused on the local market, which provides high levels of liquidity and a deep and dependable investor base, including bank balance sheets eager to purchase rare Level 1 high-quality liquid assets for Basel III purposes.

"This transaction represented a great opportunity to issue into a tenor to complement our strategy of lengthening the debt profile while diversifying the investor base. In Europe, there is more appetite for this type of debt," said Fiona Trigona, TCorp's head of funding and balance sheet.

Following closely behind TCorp's inaugural euro trade, fellow semi government and identically-rated **TREASURY CORP OF VICTORIA** issued a €110m 0.6% 30-year bond last Monday via private placement.

› HAPPY SWISS RETURNS FOR AMP GROUP

AMP GROUP, rated A2/BBB+ (Moody's/S&P), returned to an increasingly receptive Swiss market last Wednesday with a SFr175m

4.25-year Reg S bond sale.

The 0.2031% June 3 2024s priced below 95bp–105bp initial guidance at mid-swaps plus 90bp for a negative 4bp new issue concession.

Credit Suisse and *UBS* were joint lead managers for the bond, all of which was allocated to local investors. Asset managers bought 51%, insurance companies 20%, private banks 13.5%, treasuries 13.5% and pension funds 2%.

The troubled Australian financial group previously tapped its 0.8% July 2023 bond for SFr100m last November, having raised SFr140m from the initial 4.25-year sale in April 2019.

In June 2018, AMP Group struggled to gain traction for a SFr110m sale of new 0.75% December 2022 bonds, in light of its prominent role in Australia's financial scandals. That bond was tapped for SFr50m three months later.

› AOFM COMPLETES SYNDICATED SALE

The **AUSTRALIAN OFFICE OF FINANCIAL MANAGEMENT** has tapped its 2.75% May 21 2041 Treasury bond for A\$2bn (US\$1.34bn) to take the size of the line up to A\$6.6bn.

The reopening, the AOFM's first syndicated sale of nominal bonds in 18 months, attracted a final order book of A\$6.1bn as joint lead managers *CBA*, *JP Morgan* and *UBS* priced the increase at a yield of 1.535% and within the 49bp–51bp guidance range at EFP (10-year futures) plus 49.5bp.

The AOFM raised A\$3.6bn from the initial sale of the bond on July 17 2018, which yielded more than twice as much (3.09%) and priced 42bp wide of EFP.

Subsequent tenders took the issue size up to A\$4.6bn before last Wednesday's addition.

› VICTORIA MAKES FRUITFUL RETURN

TREASURY CORPORATION OF VICTORIA, rated Aaa/AAA (Moody's/S&P), raised A\$2.25bn from last Tuesday's short 11-year bond sale, the largest issuance in the local market so far this year.

ANZ, *Citigroup*, *Deutsche Bank* and *UBS* were joint lead managers for the 1.5% November 20 2030s, which priced at 99.654 to yield 1.535%, within 49bp–52bp guidance at 50bp over EFP (10-year futures contract), equivalent to the May 2030 ACGB plus 49.9bp.

Australian investors took 82%, Asia ex

Japan 10%, Europe 6% and Japan 2%. Asset managers bought 54%, bank balance sheets 27%, bank trading 9%, official institutions 8% and hedge funds 2%.

TCV previously issued a A\$1.1bn short four-year (1.0% November 20 2023) bond on January 14, priced 29bp wide of three-year futures and 28.4bp over the April 2023 ACGB.

› LOCALS DOMINATE QUEENSLAND FRN

Local bank balance sheets dominated allocations for last Wednesday's A\$1.5bn sale of 4.75-year (November 21 2024), 144A eligible, floating-rate notes from **QUEENSLAND TREASURY CORP** (Aa1/AA+/AA).

Australian investors bought 96% of the notes and Asia the remaining 4%. Bank balance sheet received 86% of the rare Level 1 high-quality liquid asset that helps banks meet their Basel III stress tests. Official institutions took 8%, trading desks 3%, asset managers/insurance companies 2% and others 1%.

ANZ and *CBA* were joint lead managers for QTC's first syndicated offering of the calendar year, which priced at the tight end of three-month BBSW plus 23.5bp–25.5bp guidance.

› NAB SETS GUIDANCE FOR AT1 NOTES

NATIONAL AUSTRALIA BANK (Aa3/AA–/AA–) has announced guidance at three-month BBSW plus 295bp–315bp for an indicative A\$750m perpetual non-call 7.5-year (September 17 2027) Additional Tier One retail note offer, **NAB CAPITAL NOTES 4**.

The offer 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 margin is expected to be announced on February 25 following the bookbuild with the offer due to open the same day and 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*.

› NTTC TAKES A\$700M FROM 2031 SALE

NORTHERN TERRITORY TREASURY CORP, rated Aa3 (Moody's), became the third state government to open a new bond line last week with Friday's A\$700m syndicated sale of 2.0% April 21 2031s.

ANZ, NAB and *UBS* were joint lead

managers for the issue which priced at 101.00 to yield 1.90%, at the wide end of EFP (10-year futures) plus 89bp–93bp guidance and 89.4bp over the April 2031 ACGB.

Pricing compares with the 50bp EFP margin paid by Treasury Corporation of Victoria three days earlier for its slightly shorter A\$2.25bn November 2030 bond issue.

Northern Territory is the lowest-rated Australian state according to Moody's, which sees New South Wales and Victoria as Aaa credits, Queensland, South Australia and Western Australia as Aa1 credits, and rates Tasmania Aa2.

ICBC PRINTS FIRST POST-VIRUS NOTE

INDUSTRIAL AND COMMERCIAL BANK OF CHINA

(A1/A/A), Sydney branch, achieved a strong result from last Tuesday's A\$500m sale of three-year floating-rate notes, the first issuance by a Chinese bank globally since the coronavirus outbreak.

ANZ, ICBC, NAB and Westpac were joint lead managers for the notes, which priced inside initial 85bp area and revised 82bp area guidance at three-month BBSW plus 77bp.

The clearing margin is a full 23bp tighter than the 100bp spread for ICBC Sydney's identical A\$500m three-year FRN in March 2019 and around 2bp inside China's Bank of Communications' pre-coronavirus crisis US dollar bonds issued on January 10, according to ICBC.

Australian investors bought 53% of the new notes with Asia taking the remaining 47%. Banks were allocated 84%, asset managers 12%, middle market/private banks 2% and trading desks 2%.

EMIRATES NBD BREAKS RECORD

EMIRATES NBD BANK, rated A3/A+ (Moody's/Fitch), attracted strong demand for its fifth Kangaroo bond and third successive 10-year Australian dollar offering, and raised a regional single-tranche record A\$700m from last Wednesday's sale.

ANZ, Emirates NBD Capital, Mizuho and Nomura were joint lead managers for the 3.05% February 26 2030s which priced at 99.445 to yield 3.115%, inside initial 205bp–210bp area guidance at asset swaps plus 200bp.

"The transaction proves the depth of appetite for the issuer at this long duration. Tighter pricing was possible but the bank was keen to underline its commitment to a strategic market with a performing, liquid benchmark," one banker close to the deal said.

Emirates NBD Bank, the United Arab

Emirates' largest banking group by assets, previously issued a A\$450m 4.75% 10-year Kangaroo in February 2018, after a A\$200m 4.85% 10-year bond the previous September.

Before this trio of 10-year deals, ENBD debuted in the Kangaroo market in April 2014 with a A\$400m 5.75% five-year bond before issuing a A\$450m 4.75% seven-year in February 2015.

ENBD was formed in October 2007 from the merger of Emirates Bank and National Bank of Dubai, the nation's second and fourth largest lenders at the time.

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

LIBERTY PRINTS INSIDE GUIDANCE

LIBERTY FINANCIAL, rated BBB– (S&P), priced a A\$250m four-year floating-rate note inside 240bp–245bp area guidance last Tuesday at three-month BBSW plus 235bp.

Deutsche Bank, NAB and Westpac were joint lead managers for the speciality finance group, which is one of the lowest rated regular visitors to the Australian market having suffered a one-notch S&P downgrade to BBB– in May 2017.

Liberty previously sold a A\$200m 3.5-year FRN last August at three-month BBSW plus 260bp.

KFW TAPS FOR A\$100M

German government-guaranteed agency KFW, rated Aaa/AAA/AAA (Moody's/S&P/Scope), tapped its 3.2% September 2026 Kangaroo bond for A\$100m last Thursday to increase the size of the line to A\$1.35bn.

The reopening via Nomura and RBC Capital Markets priced at 113.971 for a yield of 1.2075%, 40bp wide of asset swaps and 41.5bp over the April 2026 ACGB.

MEMBERS BANKING RAISES A\$60M

MEMBERS BANKING GROUP, rated Baa1/BBB+ (Moody's/S&P), trading as RACQ Bank, priced a A\$60m three-year senior unsecured floating-rate note last Tuesday in line with guidance at three-month BBSW plus 93bp.

ANZ and NAB were joint lead managers.

The Queensland-based financial previously issued a A\$60m three-year floater last April following a A\$55m two-year FRN sale in May 2018.

PORT OF BRISBANE PLANS MTN RETURN

PORT OF BRISBANE, acting through financing entity QPH Finance, rated BBB (S&P), has mandated MUFG and Westpac to arrange

investor meetings in Asia and Australia beginning February 25 for a potential Australian dollar MTN issue.

Port of Brisbane previously sold a A\$250m seven-year MTN in May 2016 following its debut A\$300m seven-year sale in July 2013 and a A\$200m seven-year print in June 2014.

AVANTI MARKETS AUSSIE DEBUT

New Zealand consumer lender AVANTI FINANCE, rated BB (S&P), has mandated NAB to arrange investor meetings for a potential debut, and rare sub-investment grade offering, in the Australian dollar market.

STRUCTURED FINANCE

COLUMBUS SETS GUIDANCE

COLUMBUS CAPITAL has released price guidance for the indicative A\$500m (US\$336m) Triton 2020-1 RMBS offering, expected to launch and price this week.

NAB, Standard Chartered Bank and Westpac are joint lead managers.

The A\$100m of Class A1-MM notes with a 1.4-year weighted-average-life have been preplaced at a one-month BBSW spread of 75bp.

Price talk for the A\$250m of Class A1-AU and A\$75m of Class A1-5Y notes, with respective 2.8 and 5.0-year WALs, is one-month BBSW plus 120bp–125bp area and 140bp area.

Guidance for the A\$35m of Class A2, A\$14m of Class AB, A\$10.5m of Class B and A\$7.5m of Class C notes, all with 4.3-year WALs, is one-month BBSW plus 150bp area, 160bp area, 185bp area and 245bp area.

The D to F notes have been preplaced with no pricing levels disclosed.

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

CBA TO 2015-1 RMBS CLASS A1 NOTE

COMMONWEALTH BANK OF AUSTRALIA is marketing a refinancing of its Medallion Trust Series 2015-1 RMBS Class A1 notes benchmarked against a one-month BBSW reference rate.

Last November, CBA issued the first RMBS linked to the risk-free Australian Overnight Index Average (AONIA) rate, the A\$1.5bn Medallion 2019-1 prime RMBS.

The issuer/originator then stated its intention to reference AONIA for future RMBS transactions, though this clearly does not necessarily include the refinancing of outstanding tranches linked to one-month BBSW.

AMP ROADSHOWS PROGRESS RMBS

AMP BANK has released roadshow details for its indicative A\$750m Progress 2020-1 Trust funding and capital relief prime RMBS offering.

Investor meetings will be held in London on March 3 and 4, Sydney on March 10 and 11 and Melbourne on March 12 ahead of expected pricing the following week.

NAB is arranger and joint lead manager with CBA, Deutsche Bank, Macquarie, MUFG and Standard Chartered.

AMP Bank previously issued the upsized A\$1bn Progress 2019-1 Trust capital relief RMBS in June last year.

PEPPER MARKETS REFINANCING NOTE

Non-bank lender PEPPER has mandated NAB to market a refinancing of the Class A1-u2 note issued in March 2019, which was refinanced from the PRS 20 prime RMBS transaction sold in March 2018.

The new Class AR-u note has an approximate size of A\$105.7m with 47.3% credit support and a modelled weighted-average-life of 1.8 years.

The transaction is expected to launch and price in the week beginning March 9.

SYNDICATED LOANS

TELCO MERGER LOAN ON THE CARDS

A jumbo financing backing the proposed merger between VODAFONE HUTCHISON AUSTRALIA and TPG TELECOM is expected, reviving hopes for lenders following the setback from a cancelled A\$4.75bn (US\$3.2bn) loan for the same purpose last year.

Market participants are now hopeful of a new borrowing following approval last week from an Australian court of the A\$15bn merger between the two companies, overruling an earlier move by the antitrust regulator that had blocked the deal.

The Australian Competition and Consumer Commission has 28 days to lodge an appeal to the court ruling and said it was considering the judgement.

The ACCC had said earlier the merger would discourage Vodafone, Australia's second-largest mobile phone company, from entering the internet market and discourage TPG Telecom from building a mobile phone network.

TPG Telecom had started rolling out a network before Australia banned the use of parts from China's Huawei Technologies due to security concerns.

Vodafone Hutchison Australia had cancelled a self-arranged A\$4.75bn loan last

year following the ACCC's rejection of the merger proposal with TPG Telecom.

The cancelled deal comprised a A\$2bn three-year term loan (facility A), a A\$2bn five-year loan (facility B) and a A\$750m five-year revolving credit facility (facility C) and had attracted 16 banks.

The facility had offered initial interest margins of 110bp over BBSY for facility A and 130bp over BBSY for facilities B and C. At the top level, the all-ins based on the initial margins were 125bp for the three-year tranche and 145bp for the five-year portions.

AIRTRUNK LAUNCHES TLB AFTER CHANGE

Data centre company AIRTRUNK is seeking a multi-currency term loan B of around A\$1.60bn-equivalent after undergoing a change in its majority shareholder.

Deutsche Bank is the underwriter and arranger of the five-year financing, which is split into tranches of around A\$1.30bn, S\$250m (S\$179m) and HK\$180m (US\$23m).

The borrowing has an average life of 4.75 years and pays an interest margin of 375bp over BBSY/SOR/Hibor.

The loan is targeted mainly at institutional investors in the US and Australia.

Proceeds are for refinancing, working capital and capital expenditure.

Last month, Macquarie Infrastructure and Real Assets signed a deal to acquire a stake of more than 90% in AirTrunk, valuing the company around A\$3bn, according to sources and media reports.

MIRA acquired the stake from Goldman Sachs and TPG Sixth Street Partners.

Airtrunk founder and CEO Robin Khuda will retain a minority stake.

In April 2019, the company completed a S\$450m financing to begin expansion across Asia Pacific with the development of a 60+MW hyperscale data centre in Singapore, according to its announcement.

Deutsche, Goldman and Natixis arranged a S\$246.7m loan that formed part of the financing, while the remainder was through equity capital from Khuda and then shareholders Goldman and TPG SSP.

The debt comprises a S\$123m five-year first-lien loan with an interest margin of 275bp over SOR and a S\$123.7m 5.5-year second-lien facility with a margin of 800bp over SOR and secured over the company's Singapore data centres, sources said.

In August 2018, the company completed a A\$850m senior secured loan for the expansion of data centres in Sydney and Melbourne. Deutsche was the underwriter.

The company opened Australia's first hyperscale data centres, and facilities in Singapore, Hong Kong and Sydney

are under development, according to its website.

DUO UNDERWRITE CITADEL'S UK BUY

Australian software and services company CITADEL GROUP plans to partially fund an acquisition in the United Kingdom with a A\$100m multi-currency borrowing, according to a filing with the Australian Securities Exchange last Tuesday.

ANZ and Royal Bank of Canada have underwritten the financing, which comprises a A\$90m underwritten senior secured term loan and a A\$10m undrawn revolving working capital facility based on pro forma net leverage at closing of 2.1x Ebitda.

Citadel is also planning to raise about A\$127m from an underwritten and conditional equity placement to new and existing institutional investors.

Citadel announced it has entered into a binding agreement to acquire Wellbeing Software Group, a UK-based provider of radiology and maternity software solutions that manages patient workflows and data, for an enterprise value of £103m (US\$134m).

FRV WRAPS UP SOLAR FARM FINANCING

FOTOWATIO RENEWABLE VENTURES, a unit of Middle Eastern conglomerate Abdul Latif Jameel Energy, has closed the financing for a solar energy farm in Australia's Victoria state, the company said in a press release last Friday.

ABN AMRO Bank and ING Bank provided the funding for the 85MW AC Winton Solar Farm, the release said without specifying the size.

The solar farm will be connected to the National Electricity Market, generating about 210,000 MWh of clean energy annually.

FRV has a long track record in Australia, having developed and put in place power purchase agreements for five other solar projects in the country since 2012 – the 20MW AC Royalla project in Australian Capital Territory, the 100MW AC Clare and the 100MW Lilyvale projects in Queensland, and the 56MW AC Moree and the 67.8MW AC Goonumbra projects in New South Wales.

EQUITY CAPITAL MARKETS

BENDIGO & ADELAIDE RAISES FUNDS

ASX-listed BENDIGO AND ADELAIDE BANK has raised A\$250m (US\$167m) from a placement to strengthen its balance sheet.

Genesis Care markets US\$1bn TLB

■ Loans Aussie and international investors targeted for acquisition financing

The US\$1.002bn-equivalent first-lien term loan B backing Australia-based cancer and cardiac service provider **GENESIS CARE**'s acquisition of US-based 21st Century Oncology is also tapping domestic liquidity Down Under, in addition to seeking investors for US dollars and euros.

The seven-year covenant-lite incremental term loan B comprises euro, US and Australian dollar-denominated tranches, with a minimum US dollar tranche size of US\$350m and a A\$150m (US\$100m) carve-out.

KKR Capital Markets, Morgan Stanley and Jefferies are the active bookrunners on the Aussie dollar portion. *Bank of America and HSBC* are also in the arranger group.

KKR Capital Markets and Morgan Stanley are global coordinators and active

bookrunners for the euro and US dollar tranche. Jefferies is global coordinator, while BAML and HSBC are joint bookrunners.

The euro loan is guided at 425bp-450bp over Euribor with a 99.5 original issue discount, while the US dollar loan is guided at 475bp-500bp over Libor with a 99 OID.

A bank presentation was held in Sydney earlier this month and meetings in London and New York last week.

Commitments on the Aussie dollar tranches due by the end of February, while those for the euro and US dollar portions are due by March 4.

In December, Genesis Care announced it would acquire 21st Century Oncology, a market leader in essential, high quality cancer care treatment in the US.

The deal, valued at about US\$1.1bn, will see Genesis Care becoming one of the largest providers of high quality radiotherapy and cancer care services worldwide.

The same month, S&P placed the B+ rating of Genesis Care on credit watch with negative implications ahead of the acquisition.

S&P said the proposed acquisition could increase Genesis Care's forecast leverage significantly if the transaction were to be largely debt-funded.

In 2018, owners of Genesis Care were seeking a refinancing of up to A\$850m-equivalent, the bulk of which was to be raised through a TLB in Europe. KKR Capital Markets, Macquarie Capital and Morgan Stanley led the borrowing.

MARIKO ISHIKAWA, PRUDENCE HO

There was strong support for the deal from a range of domestic and international investors.

The placement of 26.8m new shares, or 5.4% of existing issued capital, was sold at a fixed price of A\$9.34 each, representing an 11.6% discount to the pre-deal close of A\$10.57.

The bank is looking to raise an additional A\$50m via a share purchase plan for each eligible shareholder to subscribe to up to A\$15,000 of new shares at A\$9.34.

Proceeds will also be used to expand the bank's residential mortgage business and provide an increased buffer above APRA's strong CET1 capital ratio requirements.

The offer is expected to add about 67 to 81 basis points to the bank's Common Equity Tier 1 capital ratio.

Goldman Sachs is the lead manager and underwriter.

■ CH REIT DOES UPSIZED PLACEMENT

CHARTER HALL RETAIL REIT has raised A\$100m from an upsized share placement to increase its stake in a portfolio of BP-leased petrol stations.

The REIT sold 20.8m units, instead of the planned 18.7m, at A\$4.81 each or a 4.8% discount to the pre-deal close.

The deal drew strong demand from new and existing institutional investors.

The REIT will also undertake a A\$10m unit purchase plan allowing unitholders to subscribe for up to A\$15,000 in additional units at the same issue price.

Charter Hall Retail REIT is buying a further 17.5% interest in a portfolio of convenience retail properties leased to BP Australia from Charter Hall Group for A\$77m, increasing its total stake to 23.3%.

The additional proceeds will be used to repay debt.

JP Morgan and *UBS* are the joint lead managers and underwriters.

■ CITADEL SEALS PART OF PLACEMENT

Australian software and services company **CITADEL GROUP** has raised A\$34m as part of a dual-tranche placement of A\$127m.

The deal drew support from a group of existing and new institutional investors.

The first tranche of the placement involves 7.4m shares at the issue price of A\$4.65, representing a 21.2% discount to the pre-deal close of A\$5.90 on February 17.

The second tranche of A\$93m will involve the sale of 20m shares at the same issue price, pending shareholder approval at an EGM on March 30.

The 27.4m shares on offer represent about 56% of the existing shares on issue.

Citadel has entered into a binding agreement to acquire Wellbeing Software, a UK-based provider of radiology and maternity software that manages patient workflows and data, for an enterprise value of £103m (US\$134m).

The acquisition is also partly funded by a A\$100m multi-currency borrowing and a A\$10m share purchase plan.

RBC Capital Markets is the underwriter.

■ ORICA BAGS FUNDS FROM PLACEMENT

Australian mining explosives company **ORICA** has raised A\$500m from a follow-on share placement.

The deal drew support from existing and new institutional investors.

The company sold 23.6m new shares, or 6.2% of its existing issued capital, at A\$21.19 each, representing a 5% discount to the pre-deal close of A\$22.31 on February 18.

Orica is also seeking an additional A\$100m through a share purchase plan in which each eligible shareholder can subscribe to up to A\$30,000 of new shares from February 26-March 17.

The capital raising will support the purchase of Exsa, which provides technical assistance to the gold and copper mining industries in Peru, for US\$203m. The remaining funds will be used to help increase balance sheet flexibility to support growth.

Goldman Sachs is the sole lead manager and bookrunner.

■ VIVA ENERGY EXITS REIT VIA BLOCK

ASX-listed Viva Energy has raised A\$734.3m from the sale of its stake in **VIVA ENERGY REIT** in a clean-up trade.

A total of 276m units, or 35.5% outstanding, were sold at A\$2.66 each, or a 3.6% discount to the pre-deal close.

Charter Hall Group and Charter Hall Long Wale REIT each acquired 5% stakes for

Huarong gets it right with US\$11bn book

■ Bonds Distressed-debt manager receives robust demand with 23-strong syndicate

CHINA HUARONG ASSET MANAGEMENT, rated A3/BBB+/A, last Wednesday priced a US\$1.8bn four-tranche Reg S senior unsecured offering that came with 23 bookrunners.

The deal drew final orders of over US\$11.4bn, or about 6.3 times the issue size.

A US\$400m 2.50% three-year tranche and a US\$700m 3.375% 10-year fixed-rate portion were priced at Treasuries plus 120bp and 185bp, both inside initial guidance of 150bp area and 215bp area, respectively.

A US\$400m three-year tranche and a US\$300m five-year floating-rate tranche were priced at three-month Libor plus 112.5bp and 125bp, inside initial guidance of 145bp area and 160bp area, respectively.

The final pricings, except for the three-year fixed-rate tranche, were tighter than the fair value estimate of Nomura's trading desk of 120bp and 190bp wide of Treasuries for the three-year and 10-year fixed-rate notes, and 115bp and 135bp wide of three-month Libor for the three-year and five-year floaters, respectively.

Despite the tight pricings, all the tranches traded tighter in the aftermarket with the

three, five-year notes about 5bp-6bp tighter compared with reoffer spread while 10-year notes about 1bp tighter on last Thursday.

Final orders for the three-year fixed-rate tranche were over US\$1.7bn, including US\$700m from the leads. Asian investors took 81% and EMEA 19%. Fund managers bought 61%, banks 36%, and corporates and private banks 3%.

For the three-year floaters, final orders were over US\$3.3bn, including US\$1.5bn from the leads. Asian investors took 95% and EMEA 5%. Fund managers bought 47%, banks 51%, and corporates and private banks 2%.

For the five-year floaters, final orders were over US\$2.8bn, including US\$1.4bn from the leads. Asian investors took 94% and EMEA 6%. Fund managers bought 52%, banks 46%, and corporates and private banks 2%.

Final orders for the 10-year fixed-rate tranche were over US\$3.6bn, including US\$1.2bn from the leads. Asian investors took 89% and EMEA 11%. Fund managers bought 71%, banks 26%, corporates and private banks 2%, and sovereign wealth

funds, sovereigns, supranationals and agencies 1%.

Huarong Finance 2019 is the issuer and China Huarong International Holdings is the guarantor, while state-owned parent company China Huarong Asset Management is the keepwell and EIPU provider.

The notes, to be printed off the issuer's MTN programme, have expected ratings of Baa1/A (Moody's/Fitch).

Proceeds will be used to repay the guarantor's outstanding debts when due.

ANZ, Bank of China, Bank of Communications, China Minsheng Banking Corp Hong Kong branch, DBS Bank, Goldman Sachs, HRIF, Mizuho Securities and Standard Chartered Bank were joint global coordinators. They were also joint lead managers and joint bookrunners with ABC International, Bison Bank, CCB International, China Citic Bank International, Citigroup, CLSA, CMB International, CMB Wing Lung Bank, CMBC Capital, Credit Suisse, Guotai Junan International, HSBC, ICBC (Asia) and Industrial Bank Hong Kong branch.

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a combined A\$207m.

The rest of the units were sold to institutional investors.

The REIT, which has a portfolio of 469 service stations, demerged from Viva Energy in 2016. Viva Energy leases 440 of these service stations.

Viva Energy will seek shareholder approval to use the proceeds to buy back shares.

Viva Energy REIT units fell 0.36% to close at A\$2.75 last Friday.

Bank of America and UBS are the underwriters of the block trade.

The deal drew final orders of over US\$1.25bn from 94 accounts. Asian investors took 93% of the notes and EMEA 7%. Fund managers bought 72%, private banks 17% and corporates 11%.

The Hong Kong-listed Chinese real estate company plans to use the proceeds from the Reg S unrated issue for offshore debt refinancing and general working capital.

Goldman Sachs was sole bookrunner and lead manager.

■ BIG DEMAND FOR ZHENRO'S 363-DAY

ZHENRO PROPERTIES GROUP, rated B1/B+/BB-/BB+, drew final orders of over US\$3bn from 190 accounts for its US\$200m short-dated bond offering, including US\$265m from the leads.

The 363-day senior notes were priced at par to yield 5.6%, 52.5bp tighter than initial guidance of 6.125% area.

Asian investors bought 95% of the bonds and Europe 5%. Fund managers, banks and corporates took a combined 84%, and private banks 16%.

Proceeds from the Reg S unrated issue will be used for debt refinancing.

HSBC, CCB International, CLSA, Deutsche Bank, Goldman Sachs, Haitong International,

Standard Chartered Bank and Zhenro Securities were joint global coordinators, joint lead managers and joint bookrunners.

■ CHINA SOUTH CITY PRICES BONDS

CHINA SOUTH CITY HOLDINGS has priced a US\$225m bond offering after drawing final orders of over US\$1.75bn from 93 accounts, including US\$570m from the leads.

The 10.875% two-year and four-month senior unsecured notes were priced at 97.073 to yield 12.375%, inside initial guidance of 12.75% area.

Asian investors took 96% of the bonds and EMEA 4%. Fund managers bought 67%, banks and financial institutions 18%, and private banks and ultra-high-net-worth individuals 15%.

The Reg S notes have an expected B rating by Fitch, on par with the issuer.

The Hong Kong-listed company, which develops and runs logistics and trade centres, plans to use the proceeds for debt refinancing and general corporate purposes.

UBS, Barclays, Credit Suisse, Guotai Junan International and Haitong International were joint global coordinators as well as joint lead managers and joint bookrunners

CHINA

DEBT CAPITAL MARKETS

■ AOYUAN SELLS US\$188M SHORT-DATED

CHINA AOYUAN GROUP, rated B1/B+/BB-/BB+ (Moody's/S&P/Fitch/Lianhe), has priced US\$188m 363-day senior notes at par to yield 4.8%, inside initial guidance of 5.125% area.

SMIC returns to dollar bond market

■ **Bonds** Issuer achieves big issue size, low funding cost on strong market, ample liquidity

SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION has returned to the US dollar bond market after a five-year absence with a tightly priced US\$600m issue to take advantage of ample liquidity and low funding costs.

The Baa3/BBB- (Moody's/S&P) rated issuer last Thursday priced five-year senior unsecured bonds at par to yield 2.693%, or Treasuries plus 133bp, the tight end of final guidance of 135bp (+/-2bp) and 37bp tighter than initial guidance of 170bp area.

The Reg S deal was the Hong Kong-listed semiconductor foundry company's first dollar bond since it last tapped the market in 2014 with a US\$500m 4.125% bond due October 2019.

The deal was five times covered with final orders in excess of US\$3bn from 112 accounts, including US\$880m from the leads, even after a significant order attrition due to the aggressive pricing. Orders peaked at US\$5.8bn ahead of the release of final guidance.

AGGRESSIVE PRICING

The final spread came way inside Nomura's trading desk's fair value estimate of Treasuries plus 150bp–155bp.

"The pricing was a bit aggressive," a banker on the deal said. "The market consensus seemed to put fair value at around Treasuries plus 150bp. Pricing about 10bp tighter than fair value looked reasonable, but the strong market momentum and book size enabled the issuer to be more aggressive and increase the issue size."

SMIC initially sounded the market for US\$500m.

Given that SMIC did not have dollar bonds outstanding, JBRs used references from tech names such as Sunny Optical Technology Group, Weibo, JD.com and Hon Hai Precision Industry as comparables.

"The demand for the deal was strong despite negative headlines such as Apple's profit warning and US threats of further action against Huawei ahead of the announcement of SMIC's mandate," said the banker. He said overall market momentum remained solid despite the coronavirus outbreak, allowing the issuer to achieve a low funding cost whether in terms of spread or absolute yield.

However, there was some reckoning in the aftermarket, with the bonds trading about 4bp wider at 138bp/137bp over Treasuries late on Friday morning.

The bonds have an expected rating of Baa3 by Moody's.

Asia Pacific bought 96% of the bonds and EMEA 4%. Fund managers took 50%, banks and financial institutions 48%, and private banks, insurers and others 2%.

Proceeds will be used for capital expenditure to expand capacity and other general corporate purposes.

GOVERNMENT SUPPORT

SMIC was established as part of China's policy to develop a domestic integrated circuit industry. Its major shareholders were Datang Telecom (17%) and China Integrated Circuit Industry Investment Fund

(15.8%) as at end-2019, following several funding rounds. While none of SMIC's shareholders hold a majority stake, they are all government-related institutions with a demonstrated track record of injecting equity into SMIC, according to Moody's.

The company is the largest foundry in China for 8-inch and 12-inch wafers.

Nomura views SMIC as a beneficiary of US-China trade tensions, which have underlined the increasing importance of a self-sufficient semiconductor supply. It also believes the strong funding support from government-related entities will mitigate the financing risk from its aggressive capital expenditure and R&D funding needs.

"However, we do not expect the gap between SMIC and international leading peers (ie, TSMC, Samsung) to narrow significantly anytime soon and expect a long ramp-up period for SMIC considering intense pricing competition and continuous compressed margin, which leaves limited room for improvement for its fundamental/credit profile," Nomura credit analyst Clare Guo wrote in a note.

She also noted that substantially all of SMIC's principal materials requirements must currently be sourced from outside of China, which poses a risk given the global trading uncertainty.

JP Morgan, ICBC International, Barclays and UBS were joint global coordinators as well as lead managers and bookrunners with *SPDB International, ICBC Macau, BNP Paribas and Silk Road International*.

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with *BOC International, CCB International, China Everbright Bank Hong Kong branch, CMB International, HeungKong Financial, Kaisa Financial Group and Orient Securities (Hong Kong)*.

■ CITIC'S US\$1BN DUAL-TRANCHER HOT

Chinese conglomerate **CITIC**, rated A3/BBB+ (Moody's/S&P), has priced a US\$1bn dual-tranche senior unsecured offering after drawing over US\$8.4bn of final orders.

A US\$300m 2.45% five-year tranche was priced at 99.850 to yield 2.482%, or Treasuries plus 110bp, while a US\$700m 2.85% 10-year tranche was priced at 99.793 to yield 2.874%, or Treasuries plus 132.5bp.

Both tranches were priced at the tight end of final guidance of 110bp–112.5bp

area and 132.5bp–135bp area wide of Treasuries and inside initial guidance of 150bp area and 170bp area, respectively.

The final pricing appears generous compared to the fair value estimation of Nomura's trading desk, which put it at 105bp wide of Treasuries for the five-year and 125bp–130bp wide of Treasuries for the 10-year tranches.

The Reg S issue, to be issued off the company's US\$9bn MTN programme, has expected ratings of A3/BBB+ (Moody's/S&P).

Proceeds will be used for general corporate purposes, including debt refinancing.

The five-year tranche drew final orders of over US\$4.1bn from 175 accounts, including US\$430m from the leads. Asia bought 98% of the bonds and Europe 2%.

Fund managers and insurers took 46%, banks 29%, the public sector 22%, and private banks and others 3%.

Final orders for the 10-year notes were over US\$4.3bn from 189 accounts, including US\$400m from the leads. Asia took 95% of the bonds and Europe 5%. Fund managers bought 52%, banks 19%, the public sector 19%, insurers 7%, and private banks, others and corporates 3%.

CLSA, HSBC and Morgan Stanley were joint global coordinators. They were also joint bookrunners with *AMTD, BOC International, China Citic Bank International, Mizuho and UBS*.

Citic Group, which is wholly owned by China's State Council, owns a 58% stake in Hong Kong-listed Citic, which focuses on real estate, resources and energy, financial services and manufacturing.

Peking Founder placed in administration

■ Bonds Market will closely watch court-led restructuring of state-controlled company

A Chinese court has appointed a liquidation team as administrators of **PEKING UNIVERSITY FOUNDER GROUP** following an application from a major creditor to begin a court-led restructuring of the conglomerate.

The team includes officials from the People's Bank of China, the Ministry of Education, financial regulators and relevant departments of the Beijing municipal government, among others, according to a public filing by Peking Founder.

The First Intermediate People's Court of Beijing issued a civil order and a letter on February 19 which stated that it had accepted the request from creditor Bank of Beijing, according to the filing.

The application was based on Bank of Beijing's claim that Peking Founder "lacks the capability of paying its outstanding indebtedness but has reorganisation value", Peking Founder said in a earlier filing.

Research firm CreditSights said the presence of such heavyweight state institutions could speed up the restructuring process. "Their presence also suggests enough clout to enforce financial pain on some lenders or investors if needed," it wrote in a note.

The launch of the court-led restructuring came as the deadline approached on an extended grace period for an onshore bond repayment.

Peking Founder earlier failed to repay Rmb2bn (US\$285m) 4.94% 270-day notes that matured on December 1 2019, before receiving investor approval to extend the grace period to repay the notes to February 21, on top of the original grace period of 15 business days.

The extension gave the group more time to seek funding and avoid a cross-default on nearly US\$3bn of offshore bonds. If Peking Founder cannot repay the bonds within the grace period, it will trigger cross-defaults on US\$1.8bn of bonds issued through Nuoxi Capital and US\$800m issued through Kunzhi, according to a note from Nomura's sales and trading desk. A default by Kunzhi would then trigger a cross-default on US\$350m of bonds issued through Dawn Victor. Some of the bonds are guaranteed by Peking Founder, while it provided a keepwell deed for most others.

Peking Founder said in a filing on February 17 that it would make the onshore bond payment, but it was not clear whether the

company had met the deadline at the time of writing, or how the restructuring will affect the shareholder structure of the group or its subsidiaries. The company said earlier it was in talks with a number of state-owned companies to try to attract strategic investors and avoid further missed payments.

The university-linked issuer's dollar bonds fell about six points in cash price terms on February 19 and dropped a further 2-3 points on February 20, according to a trader.

"The restructuring will be closely watched both by creditors and those on the sidelines, as an example of how the restructuring of a high-profile state-linked entity might shape out," said CreditSights.

State-controlled Peking Founder 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.

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► HUARONG LEASING PRICES 363-DAY

CHINA HUARONG FINANCIAL LEASING, rated BBB+/A- (S&P/Fitch), has priced US\$200m 363-day senior unsecured notes after drawing over US\$1bn of final orders from 27 accounts, including US\$320m from the leads.

The bonds were priced at par to yield 3.10%, the tight end of final guidance of 3.10%-3.15% and well inside initial guidance of 3.55% area.

The notes will be issued by wholly owned subsidiary Avenue International Holding with the benefit of a keepwell and asset purchase deed provided by the parent company.

An interest reserve account will be opened by the issuer on or prior to the issue date, and an amount equal to the total interest payable in respect of the notes from time to time is to be maintained for as long as any note remains outstanding.

Asian investors took 97% of the notes and EMEA 3%. Fund managers and asset managers took a combined 42%, private banks 36%, and banks and financial institutions 22%.

Proceeds from the Reg S unrated issue

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

Standard Chartered Bank, ANZ, BNP Paribas and CMB International were joint global coordinators as well as joint lead managers and joint bookrunners with *Haitong International*.

► KUCI DOES US\$200M TAP OF 2022S

KUNMING MUNICIPAL URBAN CONSTRUCTION INVESTMENT AND DEVELOPMENT has reopened its 5.8% senior notes due 2022 that were issued in October last year for an additional US\$200m, bringing the total outstanding to US\$500m.

The tap priced at 99.63 plus accrued interest to yield 5.95%, inside initial guidance of 6.3% area.

The additional Reg S notes have expected ratings of Ba1/BB+ (Moody's/Fitch), in line with the issuer.

Proceeds will be used primarily for domestic business development and debt refinancing.

China International Capital Corporation was the sole global coordinator as well as joint bookrunner and lead manager with

Bank of China, BoCom International, CMBC Capital, Guotai Junan International, Haitong International, Industrial Bank Hong Kong Branch, Orient Securities (Hong Kong) and Shenwan Hongyuan HK.

The original US\$300m three-year bond was the issuer's debut offering. The issuer, wholly owned by the Kunming municipal government, is the major investment and financing platform for primary land development and urban infrastructure construction in Kunming.

► KUNMING INDUSTRIAL PRINTS

KUNMING INDUSTRIAL DEVELOPMENT AND INVESTMENT last Tuesday priced a US\$300m three-year senior unsecured bond at par to yield 6.1%, inside initial guidance of 6.5% area.

Wholly owned subsidiary Hong Kong JY Flower will issue the bonds with a guarantee from Kunming Industrial.

The benchmark Reg S bonds are unrated.

Guotai Junan International was sole global coordinator. It was also joint bookrunner with *Industrial Bank Hong Kong branch*.

Kunming State-owned Assets Supervision and Administration Commission owns

Toll-road operators face liquidity squeeze

■ Bonds Country-wide suspension of toll fees puts pressure on road operators' cashflow

China's toll-road operators are set to be hit hard by a country-wide suspension of all toll fees that came into force on February 17 in response to the coronavirus outbreak, rating agencies have warned.

"With immediate zero cash inflow from road operations, toll road operators could face difficulties in debt servicing and meeting fixed expenditures, especially those with heavy debt burdens," said S&P credit analyst Laura Li.

The Ministry of Transport announced the drastic and unprecedented measure on February 15 as part of the government's relief measures in response to the coronavirus outbreak. Toll fees for all types of vehicles in China will be lifted until the outbreak is deemed to be over.

"For Chinese toll road operators, this is clearly credit negative," said Ivy Poon, a credit analyst at Moody's. "We expect the government to introduce measures to compensate the toll road operators for the lost revenue, but the magnitude, timing and

duration of such measures is not certain at this point."

Moody's expects the liquidity and refinancing risk of most toll road operators it rates to remain manageable in the near term because they have cash on hand to meet maturing debt over the next 3-6 months, and proven access to funding.

According to S&P, **GANSU PROVINCIAL HIGHWAY AVIATION TOURISM INVESTMENT** may face significant liquidity risks, given its very high short-term maturities and heavy reliance on external financing to service debt.

S&P expects listed toll-road operators **SHENZHEN EXPRESSWAY** and **YUEXIU TRANSPORT INFRASTRUCTURE** to manage their liquidity risks and maintain reasonable funding costs, supported by their financial flexibility.

Gansu Highway's 6.25% 2021s fell 0.375 points since February 14 to 104.125 bid on February 18 afternoon, while its 3.875% 2022s were unchanged at 100.75, according to Refinitiv data. Shenzhen Expressway's 2.875% 2021s gained 0.297 points from

February 14 to 100.409 bid on February 18 afternoon. Yuexiu Transport does not have outstanding US dollar bonds.

"In our view, the Chinese government could urge banks to allow maturing loans to roll over and postpone interest payments, but maturities for bonds and shadow banking products are difficult to roll over. Zero cash flow from toll-road operations can quickly deplete companies' cash on hand," said S&P.

S&P believes local governments are unlikely to use their own financial resources to aid toll operators and creditors, given pressure from decreased tax revenue and slowing growth. Potential support measures include an extension of concession periods for toll-road operations, which is in line with the previous proposal to compensate operators for other existing toll-free policies. However, extending the concession period merely helps long-term cashflow generation and provides little short-term relief, it said.

CAROL CHAN

Kunming Industrial, which is the Kunming City government's designated entity for primary land development in the city's Wuhua and Panlong districts, and also develops and builds industrial parks. Kunming, the capital of Yunnan province, is at China's border with Laos, Myanmar and Vietnam, and is an important hub for the One Belt One Road initiative.

■ LVGEM ANNOUNCES EXCHANGE OFFER

LVGEM (CHINA) REAL ESTATE INVESTMENT has hired banks for an exchange offer for its US\$400m 8.50% senior notes due 2020 and a concurrent new money issue.

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, HeungKong Financial, ABC International and CMBC Capital.

The Hong Kong-listed Chinese real estate company started to hold a series of fixed income investor calls on February 21.

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.

■ MODERN LAND DRAWS STRONG ORDERS

MODERN LAND (CHINA), rated B2/B (Moody's/Fitch), sold a US dollar green bond offering that closed more than 13 times subscribed and saw barely any orders drop out despite tightening sharply from initial guidance.

The Chinese property developer priced US\$200m 11.8% two-year senior green bonds at 98.156 to yield 12.875%, inside initial guidance of 13.5% area.

Final orders were over US\$2.7bn, barely dropping from US\$2.8bn before the final yield level was announced, despite the 62.5bp tightening.

Asia took 99% of the Reg S bonds and EMEA 1%. Fund managers booked 66%, private banks 24%, and financial institutions 10%.

Asia Standard Hotel Group made

a US\$20m investment in the bonds, according to a stock exchange filing.

The Hong Kong-listed company, which runs the city's Empire hotel chain, said it intends to fund the subscription through internal cash resources and banking facilities.

Modern Land's issue has expected ratings of B3/B (Moody's/Fitch).

Proceeds will be used for debt refinancing, including funding a concurrent tender offer for its outstanding US\$350m 15.50% senior notes due 2020.

Under the offer, the Hong Kong-listed Chinese real estate company is offering to buy the 15.50% 2020s for US\$1,030 plus accrued and unpaid interest for each US\$1,000 in principal amount.

The deadline for the tender offer is February 28 and settlement will be on March 4.

Credit Suisse, Deutsche Bank, Guotai Junan International, HSBC and Morgan Stanley are joint dealer managers on the tender offer.

The five were also joint global coordinators, joint lead managers and joint bookrunners on the new bond issue, together with BoCom International, China Investment Securities International, HeungKong Financial and Haitong International.

HSBC was sole green structuring adviser.

YANGO GROUP DRAWS BIG DEMAND

Property developer **YANGO GROUP** has priced a US\$300m bond offering after drawing over US\$3.9bn of final orders from 214 accounts, including US\$660m from the leads.

The 8.25% 3.75-year non-call two senior unsecured notes were priced at 98.836 to yield 8.625%, 62.5bp tighter than initial guidance of 9.25% area.

Asia took 95% of the bonds and EMEA 5%. Funds bought 81%, banks 11%, private banks and corporates 5%, and insurers 3%.

Yango Justice International is the issuer and the Shenzhen-listed parent company is the guarantor.

The guarantor is rated B1/B+/BB– (Moody's/S&P/Fitch/Lianhe Global) and the notes have an expected B2 rating by Moody's.

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

Nomura, Guotai Junan International, Haitong International, UBS, Morgan Stanley, HSBC, Admiralty Harbour, CMB International and Orient Securities (Hong Kong) were joint global coordinators, joint lead managers and joint bookrunners.

SYNDICATED LOANS

CMPH SEEKS BILATERALS FOR BUY

Hong Kong-listed **CHINA MERCHANTS PORT HOLDINGS** is in talks with banks for separate bilateral bridge loans totalling up to US\$1bn for its proposed acquisition of port assets from French shipping company CMA CGM.

The bridge loans with 12-month tenors are likely to pay as low as 50bp–60bp.

On December 20, China Merchants Port announced the acquisition of a portfolio of 10 port terminals from CMA Terminals, a wholly owned subsidiary of CMA CGM, for a total consideration of US\$968m.

However, China Merchants Port would only have to fork out US\$468m as the acquirer is Terminal Link, its 49:51 joint venture with CMA, according to the announcement, although its 49% share of the consideration equals US\$474m.

As part of the agreement, Terminal Link will issue as much as US\$468m of convertible bonds to China Merchants Port, which also agreed to provide an eight-year loan of up to US\$500m to the former. The loan carries a guarantee from CMA CGM.

Repayment of the eight-year loan will be through capital increases in the JV from CMA CGM throughout the tenor of the borrowing, while China Merchants Port will have to convert the CB into equity.

The Chinese and French companies will

maintain their respective 49% and 51% stakes in Terminal Link.

The 10 terminals being acquired are located in China, India, Iraq, Jamaica, The Netherlands, Singapore, Thailand, Ukraine and Vietnam.

In 2018, the 10 terminals posted a net profit after tax of US\$5.12m, according to the December announcement from China Merchants Port.

The company said the proposed acquisition is consistent with its strategy of international expansion. It also has a growing presence in South Asia, Africa, Mediterranean countries and South America.

China Merchants Port operates several coastal hub ports in Hong Kong, Taiwan and the Chinese cities of Dalian, Ningbo, Qingdao, Shanghai, Shenzhen, Shantou, Tianjin, Zhangzhou and Zhanjiang.

BCEG'S MAIDEN ENTERS SYNDICATION

China state-owned Beijing Construction Engineering Group has launched its debut US\$100m three-year loan into limited syndication.

Natixis is the sole mandated lead arranger and bookrunner of the transaction, which has a greenshoe of US\$50m.

The deal offers an all-in pricing above 200bp via an interest margin of 195bp over Libor.

The borrower is **BCEGI (HONGKONG)**, a subsidiary of BCEG, which is the guarantor.

A conference call for lenders was held on February 7. Responses are due by mid-March.

Founded in 1953, BCEG is a construction and engineering firm that provides services in construction, real estate, property management and environmental protection.

LUFAX ATTRACTS NINE TO LOAN

Chinese online wealth management company Lufax Holding has closed a three-year bullet loan at US\$1.19bn after attracting nine lenders in syndication.

Citigroup and HSBC were the mandated lead arrangers and bookrunners of the transaction, which was launched at a base size of US\$1bn and carried a US\$500m greenshoe option.

The deal offered a top-level all-in pricing of 148bp based on an interest margin of 125bp over Libor.

The borrowing entity is **WINCON HONG KONG INVESTMENT**, while Lufax is providing a guarantee.

Proceeds are for general corporate purposes.

For full allocations, see www.ifre.com.

AOYUAN RAISES US\$231M LOAN

Hong Kong-listed property developer **CHINA AOYUAN GROUP** has raised a US\$231m-equivalent dual-currency three-year loan.

Hang Seng Bank, HSBC and Nanyang Commercial Bank were the mandated lead arrangers and bookrunners of the transaction, while Bank of East Asia, China Construction Bank (Asia) and Chong Hing Bank came in as MLAs. China Guangfa Bank Macau branch joined as lead arranger.

The deal, which is split into a HK\$1.055bn (US\$136m) portion and a US\$95m piece, offers an interest margin of 430bp over Libor or Hibor.

Certain subsidiaries of Aoyuan are providing joint and several guarantees.

Funds will be mainly used for the refinancing existing offshore indebtedness of Aoyuan.

Aoyuan's previous loan market visit was in July last year for a US\$204m-equivalent three-year dual-currency loan after exercising an accession option. BEA, Hang Seng Bank, Nanyang Commercial Bank and Industrial Bank were the MLAs on that deal, which offered a top-level all-in pricing of 555.6bp via an interest margin of 495bp over Libor or Hibor.

Aoyuan is rated B1/B+/BB–.

RESTRUCTURING

HALF OF QPIG'S BONDS TENDERED

Holders of more than half of **QINGHAI PROVINCIAL INVESTMENT GROUP**'s US dollar bonds have submitted them under a tender offer, despite protests from some bondholders at the steep haircuts involved.

Aluminium producer QPIG, in which the Qinghai provincial government owns a 69.3% stake, last month failed to pay a coupon due January 10 on its US\$300m 6.40% July 2021 bond and was also unable to make payment within the five-business-day imputed grace period.

The missed coupon on the 6.40% 2021s is considered an event of default for two other bonds – the US\$300m 7.25% February 2020 and the US\$250m 7.875% March 2021.

An entity called Qinghai Provincial Investment and Development on February 5 announced an offer to repurchase QPIG's bonds for cash at a steep discount of up to 63%.

Under the plan, **GUOZHEN INTERNATIONAL TRADE CONSULTING**, a subsidiary of QPID, offered to pay US\$411.90 per US\$1,000 in principal amount for the 7.25% 2020s, and US\$367.50 per US\$1,000 in principal amount for both the 7.875% 2021s and 6.40% 2021s.

Companies cheer follow-on changes

■ Equities Chinese issuers amend placement terms after CSRC eases rules

A raft of Chinese companies have rushed to amend the terms of planned private share placements to take advantage of newly released follow-on offering rules. (See News.)

Shanghai-listed **SANAN OPTOELECTRONICS** has set the issue price of a Rmb7bn (US\$1bn) private share placement at Rmb17.56 per share, or 80% of the 20-day average trading price. Under earlier rules, the company would have been required to set the issue price only on the first day of the offering and would have had to price at least at 90% of the 20-day average trading price.

Now that it has clarity about the price it will be able to charge for the shares, the company will sell just 399m shares instead of the up to 815m shares it had filed for to accommodate potential large price fluctuations between the filing date and the actual offering.

A recently formed investment institution owned by the Changsha bureau of the State-owned Assets Supervision and Administration Commission of the State

Council has committed to buy Rmb5bn of the offering, while Gree Electric, a major Chinese appliance manufacturer, will buy Rmb2bn. The lock-up periods for both investors will be shortened to 18 months, instead of 36 months previously, as allowed by the revised follow-on rules.

The A-shares of the company gained 8.2% to close at Rmb26.88 today. Proceeds will be used for a semiconductor project.

Shareholders will vote on the amended proposal on March 4.

Central China Securities is the sponsor.

Shanghai-listed **FUJIAN AONONG BIOLOGICAL TECHNOLOGY GROUP** has also amended the terms of a proposed private placement offering to raise Rmb1.39bn, for which it had cleared the hearing last month.

The company lowered the floor price to 80% of the 20-day average before the pricing day, from the previous 90%.

The shares will be sold to up to 10 institutional investors, including its largest shareholder, Xiamen Aonong Investment, and

founder Wu Youlin, who have committed to buy 7% and 3% of the deal respectively. These investors will be locked up for 6-18 months, instead of the previous 12-36 months.

Proceeds will be used to build nine pig farms and two pig and fish feed production lines.

Shareholders will vote on March 4.

Guotai Junan Securities is the sponsor.

Shenzhen-listed **GUANGDONG HONGDA BLASTING** has filed for a proposed private placement to raise Rmb1.77bn.

The company will sell up to 212m A-shares, or 30% of its existing shares, to up to 35 investors, including its biggest shareholder Guangdong Guangye Group, which has committed to buy 26.7% of the offering, in line with its current stake.

Guangye Group will face an 18-month lock-up, while the other investors will be locked up for six months.

Proceeds will be used to purchase mining engineering machinery equipment and to replenish working capital.

KAREN TIAN, FIONA LAU

Holders of US\$168.331m of the 2020s, US\$83.25m of the 7.875% 2021s and US\$207.86m of the 6.4% 2021s submitted them under the tender offer.

CICC was sole dealer manager for the tender offer.

The high take-up rate is bad news for other bondholders who had hoped to press for a better offer.

A minority group of Hong Kong retail investors, unhappy with the steep haircut on offer, last week published an open letter to the Central Commission for Discipline Inspection of the Communist Party of China and the State-owned Assets Supervision and Administration Commission of the State Council, calling for them to intervene.

EQUITY CAPITAL MARKETS

› JIANGXIAOBAI PICKS TRIO

Chinese liquor maker **JIANGXIAOBAI** has picked three banks to help with restructuring ahead of a planned IPO, according to people with knowledge of the matter.

The manufacturer and seller of the distilled spirit baijiu last month invited potential advisers to pitch for the deal

before it selected *Citigroup*, *Goldman Sachs* and *JP Morgan*, said the people.

The potential IPO could raise about US\$500m–\$1bn, IFR reported last month.

The timing will depend on the progress of the restructuring and the share sale will come next year, said the people.

The company has not decided where to list as yet, but the people said Hong Kong seems a more likely venue than the US.

The company counts Hillhouse Capital, IDG Capital, Tiantu Capital and BA Capital among its investors.

Founded in 2011, Chongqing-based Jiangxiaobai targets younger drinkers than its more traditional rivals with spirits that have a less spicy taste. Its products are sold in more than 20 countries including China, India, Germany and the UK.

› BOHAI BANK APPLIES FOR IPO

CHINA BOHAI BANK has applied to China's securities regulator for approval of a Hong Kong IPO set to raise about US\$2bn–\$3bn.

The national joint-stock commercial bank made the application on February 14 to the China Securities Regulatory Commission, according to the regulator's website.

The Chinese lender is planning to file its listing application to the Stock Exchange of Hong Kong as early as the end of this

month, said people close to the deal.

IFR reported last September that the bank was planning a Hong Kong IPO. *ABC International*, *CCB International*, *CLSA* and *Haitong International* are leading the transaction.

Founded in 2005, Bohai Bank counts Tianjin TEDA Investment, Standard Chartered Bank (Hong Kong), China Shipping Investment and State Development & Investment among its shareholders.

StanChart is the bank's second largest shareholder with a 19.99% stake, behind TEDA, which holds 25%.

The Chinese lender posted a 2018 net profit of Rmb7.08bn (US\$991m), up 4.8% from 2017. Its total assets stood at Rmb1trn as of December 31 2018. Its non-performing loan ratio and core Tier 1 capital adequacy ratio were 1.84% and 8.61%, respectively.

A spokesperson from Bohai Bank told IFR in September that the lender's business is expanding rapidly and it is considering a range of fundraising plans to fund its growth and replenish capital.

› AK MEDICAL BUILDS WAR CHEST

AK MEDICAL has raised HK\$803m (US\$103m) from a top-up placement after pricing the shares above the mid-point of the price range.

The company sold 53.5m shares or 4.8% of the enlarged share capital at HK\$15 per share, compared to the HK\$14.65–\$15.15 range.

The price represents a discount of 7.9% to the pre-deal close.

Shares of AK Medical rose 6.4% last Thursday to HK\$16.28, taking the year-to-date gain to 85%.

There is a 90-day lock-up.

The company will use the proceeds for general corporate purposes.

Goldman Sachs was the bookrunner.

» BENEMAE PHARMA FILES FOR STAR IPO

SHANGHAI BENEMAE PHARMACEUTICAL has filed to the Shanghai Stock Exchange for a proposed Rmb3bn Star IPO.

The biopharmaceutical company will offer 57.4m A-shares, or 25% of its enlarged capital. There is a 15% greenshoe.

Proceeds will be used to research new drugs, translational medicine and structural biology, as well as to build a new production line, replenish working capital and repay bank debt.

The company posted net losses of Rmb169m and Rmb214m in the first nine months of 2019 and full year 2018, on revenues of Rmb41.7m and Rmb27m.

It has been listed on the National Equities Exchange and Quotations since August 2014.

Guotai Junan Securities is the sponsor.

» CR LAND PRESSES ON WITH SPIN-OFF

CHINA RESOURCES LAND held a beauty contest last week through telephone calls for the planned Hong Kong IPO of its property management unit, according to people close to the deal.

The Chinese property developer decided against face-to-face pitches amid the coronavirus outbreak, said the people.

IFR reported last month that CR Land invited potential advisers to submit proposals for the potential float, which could raise about US\$500m.

Several Chinese property developers have spun off their property management service arms in the past two years. Those who have done so include 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 last month.

» CRCC STAR SPIN-OFF EYES RMB7BN

CHINA RAILWAY CONSTRUCTION HEAVY INDUSTRY GROUP aims to raise about Rmb6bn–Rmb7bn from a Star board IPO, according to a person close to the deal.

The company, a subsidiary of Hong Kong-listed China Railway Construction Corporation, plans to complete the offering in the fourth quarter of the year, the person told IFR.

Last Monday, CRCC said it had won approval from the Stock Exchange of Hong Kong for the proposed spin-off.

Hong Kong and Shanghai-listed CRCC announced its spin-off plan soon after China's securities regulator released final rules in December allowing A-share companies to spin off units through an IPO or backdoor listing in the domestic markets.

CRCHI is a manufacturer of tunnelling machine, rail transit and special equipment. It posted a 2018 net profit of Rmb1.64bn, while its parent company earned a net profit of Rmb19.8bn.

The proposal still needs approvals from Chinese regulators.

» HEPALINK PHARMA TAPS FOR IPO

SHENZHEN HEPALINK PHARMACEUTICAL plans to raise about US\$400m from a Hong Kong IPO as early as the first half of the year, according to people close to the deal.

The Shenzhen-listed company filed a listing application for the Hong Kong share sale last month. It did not specify the fundraising size or timeline for the potential listing.

Hepalink's A-shares changed hands at Rmb24.46 last Thursday morning, giving it a market capitalisation of Rmb31bn. The stock is up 25% this year.

The company has a portfolio of drugs to treat blood clots and immune system disorders. Three drugs are being commercially manufactured, 24 candidates are at the clinical trial stage and 12 projects are at the discovery stage.

For the first nine months of 2019, it posted a profit of Rmb749m, up 60% from the same period a year earlier. It had an annual profit of Rmb617m in 2018.

Goldman Sachs and Morgan Stanley are the joint sponsors.

» HYGIEA PLANS HK IPO

Warburg Pincus-backed HYGIEA HEALTHCARE is planning to raise about US\$300m–\$500m from a Hong Kong IPO as early as the first half of the year, according to people close to the deal.

The Chinese hospital operator and radiotherapy equipment maker filed a listing application to the Stock Exchange of Hong Kong last Monday.

Haitong International and Morgan Stanley are the joint sponsors.

Hygeia owns seven hospitals and also

manages three hospitals for third parties. The company posted adjusted net profit of Rmb136m for the 10 months ended October 31 2019, up 82% from the same period in 2018.

Warburg Pincus owns a 17.2% stake in the company.

» SBI CHINA DROPS REGENERATIVE OFFER

SBI China Capital has terminated the underwriting agreement of a HK\$354m open offer by CHINA REGENERATIVE MEDICINE INTERNATIONAL because of the coronavirus outbreak.

The GEM-listed bio-medical products maker intended to sell 1.76bn–1.77bn shares at HK\$0.20 each on a 2-for-1 basis.

The company said in an announcement that it was notified by SBI China last Tuesday that the bank decided to terminate the agreement because of the latest development of the outbreak which is deemed an event of force majeure.

According to the original timetable, SBI was supposed to commence placing the unsubscribed shares last Wednesday.

The company is assessing the effect of the termination of the open offer and could consider alternative means of fundraising which may or may not involve the issuance of shares and/or the realisation of assets.

CRMI's principal activity is research and development, production and sales of tissue engineering and regenerative medicine products.

» SZE TO SPIN OFF UNIT FOR STAR IPO

Shanghai-listed SHANGHAI ZIJANG ENTERPRISE is looking at a spin-off of its new materials technology unit for a listing on the Shanghai Star market.

Zijiang New Material, a lithium battery manufacturer, plans to offer up to 25% of its enlarged capital and a 15% greenshoe in the float.

Proceeds will be used for research, to build a new production base, and replenish working capital.

Shanghai Zijiang Enterprise holds a 70% stake in the proposed spin-off.

The proposal still needs approvals from shareholders and Chinese regulators.

» TWO STAR STOCKS SURGE

BEIJING ROBOROCK TECHNOLOGY and BIO-THERA SOLUTIONS soared on their debut on the Shanghai Star market last Friday.

Beijing Roborock Technology, which raised Rmb4.5bn from its IPO, closed at Rmb500.1 on its debut, up 84.5% from the IPO issue price of Rmb271.12. At one point, the stock reached as high as Rmb538.88.

Roborock sold 16.7m A-shares or 25% of its enlarged capital at Rmb271.12 each, a record price per share for an A-share IPO.

The company sold 2.2% of the IPO to sponsor *Citic Securities* and allotted 60.2% and 39.8% of the remaining shares to institutional and retail investors, respectively.

It will use the proceeds on a data platform, the launch of a robot project, the development of commercial cleaning robot products, and for working capital.

Before the float, founder Chang Jin was the largest shareholder in the company with a 30.99% stake, followed by Xiaomi founder Lei Jun's Shunwei Capital with a 12.85% stake and Xiaomi's Tianjin Jinmi with 11.85%.

Bio-Thera Solutions' shares jumped 98% to Rmb64.88 last Friday morning, before closing at Rmb60.2. Its IPO comprised 60m A-shares, or 14.5% of its enlarged capital, at an issue price of Rmb32.76.

Bio-Thera is only the second pre-revenue company to list on the bourse, after it raised Rmb1.97bn from its float.

The company posted a net loss of Rmb715m for the first half of 2019 and an annual loss of Rmb533m for 2018. It has forecast a 2019 net loss of Rmb1.05bn–Rmb1.15bn.

It will use the proceeds for research, marketing and working capital.

CICC is the sponsor and bookrunner with *GF Securities* and *Morgan Stanley Huaxin Securities*.

Three other stocks have made their debut on the Star board since the coronavirus outbreak. Beijing Huafeng Test & Control Technology, Autel Intelligent Technology and Guangzhou Risong Intelligent Technology started trading at the beginning of February. All three surged over 200% from their IPO issue prices.

HONG KONG

DEBT CAPITAL MARKETS

SHUI ON SELLS US\$400M BONDS

SHUI ON LAND has priced US\$400m five-year non-call three senior unsecured notes at par to yield 5.5%, inside initial guidance of 5.875% area, alongside a concurrent exchange and tender offer for two of its outstanding bonds.

The issue drew final orders of over US\$1.7bn from 82 accounts. Asian investors bought 95% of the bonds and EMEA 5%. Private banks and banks took a combined

69%, and asset managers and fund managers 31%.

The Reg S unrated notes will be issued by subsidiary Shui On Development (Holding) and guaranteed by the Hong Kong-listed parent company.

Proceeds will be used to pay the cash portion and related expenses in connection with the concurrent exchange and tender offer for its US\$500m 5.70% notes due February 6 2021 and 6.25% notes due November 28 2021. Any remainder will be used for debt repayment and general corporate purposes.

Under the offer, US\$1,000 per principal amount of the 5.70% 2021s can be exchanged for US\$1,000 of the new 5NC3 notes plus accrued interest plus US\$19.50 in cash as the exchange premium. Those that don't exchange for the new notes can receive US\$1,019.50 plus accrued interest in cash per US\$1,000 of the principal amount under the tender offer.

For the 6.25% 2021s, US\$1,000 per principal amount can be exchanged for US\$1,000 of the new 5NC3 notes plus accrued interest plus US\$33.40 in cash as the exchange premium. Under the tender, the offer is US\$1,033.40 plus accrued interest in cash per US\$1,000 of the principal amount.

There is a US\$400m cap on the exchange and tender offer. The deadline is February 28 and settlement is expected to be March 3.

Shui On said the offer is aimed at extending the maturity of a portion of its debt due in 2021.

UBS is sole dealer manager on the exchange and tender offer. It is also the sole global coordinator on the new bond issue as well as joint bookrunner with *Standard Chartered Bank*.

SYNDICATED LOANS

CHINA FORESTRY OUT OF THE WOODS

A unit of China Forestry Group has closed a four-year loan at US\$145m, after the state-owned parent obtained requisite consents to amend a covenant of a separate 2018 syndicated loan that had restricted it from providing guarantees for new debt facilities.

The borrower on the latest transaction is **CHINA FORESTRY TREASURY CENTER**, a Hong Kong-incorporated financing vehicle of China Forestry, which is the guarantor.

Mandated lead arrangers and bookrunners *China Everbright Bank* and *Far Eastern International Bank* had launched the deal into syndication in September last year at an original US\$100m target.

Completion of the latest deal was

conditional upon the guarantor obtaining consent from two-thirds of the lenders (by value) of another loan for the borrower's affiliate signed in 2018. The consent related to China Forestry being exempted from restrictions on guaranteeing debt for other group companies.

China Forestry International Resource is the borrower on the HK\$4bn (US\$513m) three-year offshore loan signed in 2018. China Forestry is the guarantor.

China Forestry obtained consent for the exemption as well as to amend an ownership covenant that required China's State-owned Assets Supervision and Administration Commission of the State Council to directly or indirectly own all of China Forestry throughout the term of the HK\$4bn borrowing.

The amendment to the ownership covenant followed SASAC's transfer of a 10% stake in China Forestry to the National Council for Social Security Fund (SSF) in January 2018, which stemmed from a November 2017 directive from the State Council of the People's Republic of China.

The increased US\$145m loan offered a top-level all-in pricing of 210bp based on an interest margin of 195bp over Libor.

For full allocations, see www.ifre.com.

SF HOLDING TO PREPAY 2019 LOAN

Shenzhen-based logistics services provider SF Holding is looking to prepay a HK\$5bn five-year loan it closed five months ago.

The company informed lenders last week of the prepayment, which will take place before the end of the month and follows a US\$700m 10-year bond SF Holding completed the week before.

The bond, which priced on February 13, helped SF Holding extend its maturity curve and achieved the tightest all-in yield in the offshore market this year for a privately owned Chinese issuer, according to IFR Asia.

The 2.875% bonds were priced at 98.935 to yield 2.999%, or US Treasuries plus 137.5bp.

The HK\$5bn loan being repaid was completed in September last year and offered a top-level all-in pricing of 107.05bp based on an interest margin of 90bp over Hibor and an average life of 4.75 years.

ANZ, *Credit Agricole CIB*, *Credit Suisse*, *HSBC*, *MUFG Bank* and *Standard Chartered Bank* were the mandated lead arrangers, bookrunners and underwriters of the loan, which attracted 13 other banks in syndication.

The facility replaced a bridge facility that helped fund SF Holding's purchase of the Greater China supply chain operations of Deutsche Post DHL Group.

The borrowing entity is **SF HOLDING**, a

Delhi Airport dodges rating crosswinds

■ Bonds Strong market helps deal fly despite outlook revision

DELHI INTERNATIONAL AIRPORT reopened its 6.45% 2029 senior secured notes for an additional US\$150m last week, drawing strong demand even though S&P revised down its outlook on the issuer on the day the deal was announced.

The tap, which brought the total outstanding to US\$500m, priced at a cash price of 108 plus accrued interest, above initial guidance of 106.75 area plus accrued interest, to yield 5.343%. The original US\$350m notes were bid at 107.85 to yield 5.36% ahead of the announcement of the tap.

The 144A/Reg S offering was more than four times covered at final pricing despite S&P changing its outlook to negative from stable. The rating agency cited the

airport's high spending plans amid tariff and commercial property development delays.

S&P, however, affirmed the BB rating for both the issuer and its senior secured notes.

Proceeds of the tap will be used to part fund the expansion of Indira Gandhi International Airport, which is expected to cost around Rs98bn (US\$1.37bn) and take about three to four years to complete, according to Moody's. DIA, which operates under an agreement with the Airports Authority of India, is the concessionaire for the airport.

"The deal remained intact from the outlook revision as investors looked at the fundamentals of the issuer as a defensive name, combined with the strong market," said a banker on the deal.

The tap received final orders of over US\$645m, including US\$27m from joint bookrunners, from 59 accounts.

Asian investors took 77% of the deal, EMEA 19% and the US 4%. Asset managers, fund managers and hedge funds bought 93%, private banks 6% and banks and others 1%.

The tap has expected ratings of Ba2/BB/BB+, in line with the issuer, and has a change of control put option at 101.

The reopening is immediately fungible with the original bond and will settle on February 25.

Standard Chartered Bank, HSBC and JP Morgan were joint lead managers and bookrunners.

JIHYE HWANG

wholly owned subsidiary of Shenzhen-listed SF Holding, which is the guarantor.

■ CHINA DATANG SWITCHES ON FOR LOAN

State-owned China Datang is seeking a HK\$5bn one-year loan for refinancing purposes.

Wing Lung Bank is the mandated lead arranger and bookrunner of the transaction, which offers an interest margin of 140bp over Hibor.

MLAs joining with tickets of HK\$600m or more earn an all-in pricing of 160bp based on a 20bp fee, while lead arrangers taking HK\$100m–\$599m receive an all-in of 155bp based on a 15bp fee.

CHINA DATANG OVERSEAS (HONG KONG), a subsidiary of China Datang, is the borrower.

In February 2018, the borrower raised a HK\$5.3bn three-year bullet term loan. *Wing Lung* also led that deal, which attracted two banks in general syndication, according to Refinitiv LPC data.

China Datang is a power generation group established after State Power Corp of China was split into five different groups in 2002.

■ CITIC CAPITAL RAISES HK\$3.5BN CLUB

CITIC CAPITAL HOLDINGS has raised a HK\$3.5bn three-year club loan from a dozen banks.

Bank of China (Hong Kong), Bank of Communications, China Citic Bank International, China Construction Bank (Asia), China Everbright Bank, China Minsheng Banking Corp, CTBC Bank, Dah Sing Bank, Hang Seng Bank, HSBC,

Shanghai Pudong Development Bank and Sumitomo Mitsui Banking Corp are the lenders to the transaction.

Funds are for general corporate purposes and refinancing.

Citic Capital's previous loan market visit was in August 2018 for a HK\$4bn three-year loan. BoCHK, BoComm Hong Kong branch, China Everbright Bank Hong Kong branch, Hang Seng Bank, HSBC and SPDB were the mandated lead arrangers and bookrunners of that transaction, which offered a top-level all-in pricing of 240bp via an interest margin of 200bp over Hibor.

The borrower, a unit of Hong Kong-listed Chinese state-owned conglomerate Citic, is an investment management and advisory company.

INDIA

DEBT CAPITAL MARKETS

■ MUTHOOT FINANCE PRINTS YANKEE

Non-bank lender **MUTHOOT FINANCE** (Ba2/BB/BB+) last Thursday priced a US\$550m 3.5-year senior secured bond offering at par to yield 4.4%, inside initial guidance of 4.75% area.

Final orders were around US\$1.6bn from 123 accounts.

US investors took half of the 144A/Reg S

bonds, Asia 38% and Europe 13%.

By investor type, funds booked 89%, private banks 6%, banks and insurers 3%, and sovereign wealth funds and others 2%.

The bonds have expected ratings of BB/BB+ (S&P/Fitch).

Deutsche Bank and *Standard Chartered* were joint global coordinators and bookrunners.

Muthoot, which made its offshore debut in October last year, mainly gives loans backed by gold.

■ UPL DRAWS US\$2BN ORDERS FOR PERP

Indian agrochemicals company **UPL**, rated Baa3/BBB-/BBB-, has priced a US\$400m perpetual non-call 5.25-year bond offering at par to yield 5.25%, inside initial guidance of 5.625% area.

The deal drew over US\$2bn of final orders from 122 accounts. Asian investors took 67% and EMEA 33%. Asset managers, fund managers and hedge funds bought a combined 87%, banks and private banks 11%, and others 2%.

The Reg S securities have expected ratings of Ba2/BB (Moody's/S&P). The structure has coupon resets from year 5.25, with a step-up of 25bp in year 10.25 and a further 75bp in year 25.25.

Proceeds will be used to repay long and short-term borrowings and issuance-related expenses.

Bank of America, JP Morgan, MUFG, Rabobank and UBS were joint global coordinators as well as joint bookrunners with ANZ, Barclays, Citigroup, DBS Bank and Societe Generale.

SYNDICATED LOANS

› IOC'S C\$580M REFI DRAWS ONE BANK

State-owned Indian Oil Corp has closed a C\$580m (US\$437m) five-year loan with only one bank joining in general syndication.

Shanghai Commercial and Savings Bank took C\$25m of the loan for IOC's wholly owned subsidiary **INDOIL MONTNEY**.

Bank of Baroda, State Bank of India, Scotiabank and Sumitomo Mitsui Banking Corp were the mandated lead arrangers and bookrunners, and ended up with more than 95% of the transaction.

The deal had offered a top-level all-in pricing of 115bp and an interest margin of 89bp over CDOR.

Proceeds will be used for refinancing and capital expenditure.

In 2015, IndOil Montney closed a C\$600m five-year bullet loan maturing in March 2020, which paid a top-level all-in of 140bp via a margin of 105bp, according to Refinitiv LPC data.

Mizuho Bank, MUFG and SMBC were the underwriters of that deal, while Export Development Bank of Canada, Land Bank of Taiwan and SBI joined at lower levels.

Parent IOC's last visit to the loan markets was in February last year for a syndicated US\$1.7bn five-year financing, which paid a top-level all-in pricing of 114bp based on a margin of 100bp over Libor and an average life of 4.75 years. The deal size was increased from the original US\$1.3bn target after attracting 17 banks in general syndication.

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EQUITY CAPITAL MARKETS

› BARBEQUE-NATION REHEATS IPO PLAN

BARBEQUE-NATION HOSPITALITY has resubmitted a draft prospectus for a Rs10bn–Rs12bn (US\$140m–\$168m) IPO.

The restaurant chain has been trying to launch an IPO for the past few years but investors have not been willing to pay the valuation it wanted. In 2017, it had targeted an IPO of up to Rs8bn.

There is also a change in the syndicate, with *Axis* and *Ambit* joining *IIFL Holdings* and *SBI Capital*. *Edelweiss* and *Jefferies* are no longer working on the IPO.

It plans to sell Rs2.75bn primary and 9.82m secondary shares in the IPO. It is also planning a pre-IPO placement of Rs1.5bn and if that is successful the primary component of the IPO will be reduced accordingly.

Founders Sayaji Hotels, Sayaji Housekeeping Services and Kayum Dhanani are among the vendors.

Barbeque-Nation's revenue rose 26% to Rs7.39bn in the financial year that ended March 31 2019 from Rs5.86bn in 2018. Its net loss widened to Rs404m from Rs67.9m following losses at the company's international operations.

The company said that since its 2017 filing it has opened 59 new outlets. Currently it operates 138 outlets in India and seven in the UAE, Oman and Malaysia.

› NSDL MEETS BANKS ON RS10BN IPO

NATIONAL SECURITIES DEPOSITORY LIMITED is meeting banks on the management of an IPO of up to Rs10bn.

IDBI Bank, which owns a 26% stake, and the National Stock Exchange, which owns 24%, are expected to sell shares in the IPO.

NSDL was not immediately available to comment on the IPO plan.

The company provides depository services to end investors, stock brokers, stock exchanges, custodians, and issuer companies through its network of more than 276 depository participants and business partners.

As of January 31 2020, NSDL had 19.4m investor accounts and 31,248 service centres.

In 2017, BSE-owned Central Depository Services Ltd went public through a Rs5.2bn IPO at Rs149 a share.

› SBI CARDS SETS PRICE RANGE FOR IPO

SBI CARDS AND PAYMENT SERVICES has set the price range for an IPO of around Rs100bn at Rs750–Rs755 per share, according to people with knowledge of the transaction.

The deal size is higher than the previously estimated Rs80bn–Rs90bn and would make it the biggest Indian IPO since General Insurance Corp of India's Rs114bn issue in 2017. Coal India's Rs155bn IPO in 2010 is the country's largest to date.

At the top of the range, the deal would

also beat the Bt38bn (US\$1.2bn) float from Thailand's Central Retail as Asia Pacific's biggest IPO this year excluding A-share issues.

The top of the price range implies a P/E of 35 for the financial year that ends in March 2021.

The IPO will be open for subscription between March 2 and March 5, according to a term-sheet. The anchor book will be open for one day on February 28.

The IPO, the first by a credit card company in India, will comprise up to Rs5bn new shares and 130.5m secondary shares. State Bank of India will be selling 37.3m shares (4% of current capital) and CA Rover Holdings, an affiliate of Carlyle Asia, 93.2m (10%).

The company reported revenue of Rs43.6bn for the six months ended September 30, up 35% from Rs32.2bn a year earlier. Net profit climbed 93% to Rs7.26bn from Rs3.77bn.

SBI Cards is a joint venture between State Bank of India (76%) and global private equity firm Carlyle Group (24%).

Axis Bank, *Bank of America*, *HSBC*, *Kotak*, *Nomura* and *SBI Capital* are the lead managers.

INDONESIA

SYNDICATED LOANS

› INDOMOBIL IN TALKS FOR LOAN

INDOMOBIL FINANCE INDONESIA is in talks with lenders for an up to US\$300m three-year amortising loan, returning to the syndicated loan markets less than a year after a highly successful visit last June.

Bankers said the structure could be similar to previous underwritten loans that have been increased following a strong response in general syndication.

Last year the borrower nearly tripled the size of its three-year loan to US\$290m from US\$100m after nine banks joined in general syndication.

The borrowing paid a top-level all-in pricing of 135bp (onshore) and 125bp (offshore) based on interest margins of 105bp (onshore) and 95bp (offshore) over

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Libor respectively, and an average life of 1.625 years.

ANZ, CTBC Bank, DBS Bank, OCBC Bank, Sumitomo Mitsui Banking Corp, Taipei Fubon Commercial Bank and United Overseas Bank were the mandated lead arrangers and bookrunners on that loan.

Pricing on the 2019 deal was tighter than a US\$275m three-year amortising loan completed a year earlier in July 2018, which offered a top-level all-in pricing of 133.4bp (onshore) and 123.4bp (offshore) based on margins of 110bp (onshore) and 100bp (offshore) over Libor. The facility has an average life of 1.625 years.

The borrower, controlled by the Indomobil Group, provides motor vehicle and heavy-duty equipment financing services.

JAPAN

STRUCTURED FINANCE

▶ VWFS JAPAN PRICES AUTO LOAN ABS

VOLKSWAGEN FINANCIAL SERVICES JAPAN priced an upsized ¥60bn (US\$546m) Driver Japan nine auto loan ABS offering on February 14. The final terms were announced last week.

BNP Paribas and Mizuho are joint lead managers.

The prime auto loan ABS, rated Aaa/AAA/AAA, priced with a 0.10% coupon.

The provisional underlying Japanese auto loan pool has 26,586 contracts with an average contract size of ¥2,413,789. The weighted average life of the collateral is 27.1 months.

The size was expected to be ¥40bn when the two banks were hired for the transaction in January, but was then upsized because of solid demand from investors.

SYNDICATED LOANS

▶ HITACHI RAISES BRIDGE FOR HI-TECH BUY

HITACHI is raising a ¥532bn (US\$4.8bn) six-month bridge loan to back its bid to acquire all of listed industrial equipment unit Hitachi High-Technologies, the Japanese industrial conglomerate said in a stock exchange filing last Monday.

MUFG is sole provider of the jumbo bridge supporting the ¥531.1bn bid launched last Monday.

Hitachi is offering ¥8,000 a share for the remaining stake in the unit, of which it

Mizuho, MUFG overlap in US

■ Bonds Japanese mega-banks go head-to-head with US dollar bond offerings

Two of Japan's mega-banks managed to print big US dollar senior bond deals at tight pricing, despite going up against each other on the same day with similar tenors.

MIZUHO FINANCIAL GROUP announced initial price thoughts for a three-tranche offering at around 8:30am Hong Kong time on Tuesday, before **MITSUBISHI UFJ FINANCIAL GROUP** announced IPTs for a dual-tranche trade about an hour later.

"I think this is the first time two megabanks have gone head-to-head, but it didn't affect our deal size and the pricing was a very good outcome," said a bookrunner on one of the deals. "This is a very systematic issuer, so everyone knows what its funding plans are, and the market backdrop was relatively strong."

Mizuho priced US\$2.35bn across three tenors, while MUFG sold US\$3.75bn in two tranches. Both bonds were SEC-registered senior notes, with Mizuho's expected to be rated A1/A- (Moody's/S&P) and MUFG's A1/A-/A.

Mizuho priced a US\$1.1bn 4.25-year non-call 3.25 floating-rate note at three-month Libor plus 63bp, the tight end of 65bp area,

plus or minus 2bp, guidance and inside initial price thoughts of low 80s.

A US\$750m 6.25NC5.25 tranche priced at par to yield 2.26%, or Treasuries plus 83bp, compared with 85bp area, plus or minus 2bp, guidance and 100bp–105bp IPTs.

A US\$500m 11.25NC10.25 tranche priced at par to yield 2.591%, or Treasuries plus 103bp, the tight end of 105bp area, plus or minus 2bp, guidance and inside 120bp–125bp IPTs.

MUFG sold a US\$2.6bn five-year at par to yield 2.193%, equivalent to Treasuries plus 80bp, inside initial thoughts of 90bp–95bp, while a US\$1.15bn 10-year tranche priced at par to yield 2.559%, or Treasuries plus 100bp, inside thoughts of 110bp–115bp.

Both of MUFG's tranches were around 5bp wide of CreditSights' fair value estimates, while the new issue concession was estimated to be narrower for Mizuho's notes.

Bank of America and Mizuho were active bookrunners for the Mizuho trade, while *Morgan Stanley* and MUFG led the MUFG deal.

DANIEL STANTON

currently owns 51.73%. The offer ends on April 6.

Hitachi High-Technologies said in a statement last month that its board had approved the takeover and recommended its shareholders tender their shares to Hitachi.

The conglomerate has been the most aggressive among its peers in Japan in reorganising its businesses.

In December, the company said it would sell Hitachi Chemical for ¥494bn to Showa Denko and the diagnostic imaging business to Fujifilm Holdings for ¥179bn. Showa Denko is raising a loan of up to ¥695bn for its planned acquisition.

▶ SOFTBANK RAISING SHARE-BACKED LOAN

SOFTBANK GROUP plans to raise ¥500bn through a two-year margin loan with part of its stake in Softbank Corp as security, the Japanese telecom giant said in a statement last Wednesday.

Sixteen domestic and foreign financial institutions are providing the loan to **HINODE I GK**, SoftBabk Group's wholly owned subsidiary.

Credit Suisse, *JP Morgan*, *Mizuho Bank* and securities firms are among the lenders,

while Japanese banks have not participated as they are generally not keen on share-backed financings.

The loan has a one-year extension option and is slated for drawdown on February 25.

Funds will be used to boost the group's cash on hand and for general business purposes, according to a Reuters story last Wednesday, which also said Softbank Group is pledging a 20% stake in its telco unit as collateral.

Meanwhile there has been no progress in its talks to obtain US\$3bn from Japanese mega banks – Mizuho Bank, MUFG and Sumitomo Mitsui Banking Corp – to fund a bailout of office sharing startup WeWork, which were stalled in December.

EQUITY CAPITAL MARKETS

▶ CARLYLE REVIVES WINGARCIST IPO

Carlyle Group is planning to raise about ¥26bn (US\$233m) from a revived float of its Japanese data and software company **WINGARCIST**, after shelving the offering in March last year due to poor market conditions.

SG returns to yen market

■ Bonds French bank achieves benchmark deal with decent regional support

SOCIETE GENERALE, rated A1/A/A, last Thursday priced a modest ¥50bn (US\$450m) offering of five-year senior non-preferred euroyen notes at 48bp over yen offer-side swaps.

The spread was at the wide end of the initial price guidance range of 45bp–48bp on Tuesday. The coupon was set at 0.472%.

The spread was equivalent to more than 5bp over the bank's US dollar secondary curve and more than 10bp over its euro curve, according to calculations by two bankers on the deal.

The French bank initially marketed a 10-year SNP tranche at 50bp–52bp but it decided not to issue it. It was looking for demand of ¥5bn or more for the tranche, but investors wanted a wider spread than what SocGen was willing to pay.

The issuer is a regular in the yen market. A year ago, it priced a ¥86.2bn five-year note at yen offer-side swaps plus 90bp and a ¥10bn 10-year note at plus 97bp.

Although the size was much smaller than the previous deal, the bank was still able

to draw benchmark-sized demand as both central and regional Japanese investors participated.

Three bankers on the deal told IFR that it was a positive surprise that regional investors took some 30% of the bonds despite the increased risk weightings applied on holdings of bonds that count towards total loss-absorbing capacity requirements.

The bankers said regional investors chose to buy because of the recent lack of supply from foreign issuers and products in yen that yield near 0.5% in the five-year sector, as well as the issuer's commitment to the yen market.

Central investors such as city banks, pension funds, specialised banks and insurers took about 60%, with the rest going to foreign accounts.

Daiwa, Mitsubishi UFJ Morgan Stanley, Mizuho, Nomura, SMBC Nikko and Societe Generale were the lead managers for the new transaction. The bonds have expected ratings of Baa2/BBB+/A.

TAKAHIRO OKAMOTO

global follow-on offering of units at a narrow discount to raise ¥34.3bn.

A total of 121,000 primary units were priced at ¥283,670 apiece, representing a 2% discount to February 19's market close of ¥295,500, after deducting an expected dividend of ¥6,040, versus the marketed discount range of 2%–4.5%.

There is a greenshoe of 9,000 units for 7.4% of the base deal.

About 68% of the deal was allocated to domestic investors and the rest to international investors. A total of 2,000 units in the domestic portion have been earmarked for sponsor Daiwa House Industry.

There is a 90-day lock-up for the issuer and a 180-day lock-up for the sponsor.

Proceeds will be used to acquire assets and repay borrowings.

Daiwa, Morgan Stanley and Nomura are the joint global coordinators and international bookrunners.

MALAYSIA

DEBT CAPITAL MARKETS

▶ TOP GLOVE SHINES

TOP GLOVE has increased the issue size of a perpetual non-call five Islamic bond to M\$1.3bn (US\$310m) on the back of robust demand from local investors.

The bonds were priced at 3.95%, and will reset at the end of year five to the prevailing Malaysian government securities yield plus the initial credit spread of 120.9bp plus a step-up of 100bp.

Final pricing was tightened sharply from initial guidance of 4.15%–4.30% during bookbuilding on February 18.

Orders had exceeded M\$10bn before attrition set in when guidance was finalised at 3.95%.

Still, the final order book stood at a healthy M\$7bn.

The base size of 15.5m secondary shares is being marketed at an indicative price of ¥1,670. There is an overallotment option of up to 1.3m shares. The price will give the company a potential market capitalisation of ¥52bn.

About 40% of the deal is earmarked for international investors, while domestic buyers will take up the rest at a split of 10% for institutions and 90% for retail investors.

Nasdaq-listed Carlyle Group, which acquired WingArc1st in full in 2016 for an undisclosed amount, intends to sell the shares through an affiliate, CJP WA Holdings. There is a 180-day lock-up on the seller.

Carlyle had planned to float WingArc1st last year, targeting ¥41.3bn from the sale of 21m secondary shares at a potential market capitalisation of ¥61.5bn.

Bookbuilding will take place from March 9–13. The deal will price on March 16 and the shares will start trading on the bourse on March 26.

Nomura and Morgan Stanley are the joint global coordinators, they are also joint bookrunners for the international offering with the *Bank of America*.

▶ DAIWA HOUSE REIT PRICES FOLLOW-ON

Residential real estate investment trust **DAIWA HOUSE REIT INVESTMENT** has priced its

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Top Glove had originally targeted an issue size of M\$1bn.

The timing was perfect for the Malaysian rubber glove manufacturer as investors saw a huge upside for its business due to the coronavirus outbreak around the world.

Top Glove's stock price has climbed around 14% since the infectious disease broke out of China, said bankers, as demand surged for its products amid shortages of protective equipment.

Local investors also seized the opportunity to diversify away from the regular supply of government-guaranteed paper and real estate bonds.

"It is a fantastic outcome for the issuer to be able to achieve a rare sub-4% pricing for a perpetual bond," said a banker following the deal closely.

Wholly owned subsidiary **TG EXCELLENCE** will be the issuer of the notes, to be drawn from a M\$3bn perpetual Islamic programme, and Top Glove the guarantor.

Marc has a AA- rating on the subordinated bonds, a notch below Top Glove's AA rating.

Settlement is on February 27.

Proceeds will be used for debt refinancing, repayment of intercompany loans and working capital, acquisition and capital expenditure needs.

CIMB Investment Bank and **Hong Leong Investment Bank** were joint lead managers for the deal as well as joint principal advisers and joint lead arrangers for the programme, with **CIMB Islamic Bank** as sharia adviser.

PRASARANA GOES MULTI-TIER

PRASARANA MALAYSIA last Monday raised M\$3.5bn from the sale of five tranches of Islamic bonds.

A M\$400m seven-year tranche was priced at par to yield 3.02%, a M\$600m 10-year tranche at 3.09%, a M\$500m 15-year piece at 3.28%, a M\$1bn 20-year piece at 3.44% and a M\$1bn 30-year tranche at 3.80%.

Initial price guidance was 2.96%–3.06%, 3.01%–3.11%, 3.22%–3.32%, 3.37%–3.47% and 3.73%–3.83%, respectively.

Settlement is tentatively scheduled for the week of February 24.

AmInvestment Bank, **CIMB**, **Kenanga Investment Bank** and **RHB** were joint lead managers.

The unrated bonds will be guaranteed by the federal government.

Prasarana is a state-owned company which provides road and highway construction services. It last sold M\$850m of 15 and 20-year sukuk in July last year at 3.92% and 4.09%, respectively.

PAKISTAN

EQUITY CAPITAL MARKETS

PAKISTAN HIRES FOR STAKE SALES

The Privatisation Commission has appointed banks to manage share sales totalling Rs75bn (US\$486m) in **PAKISTAN PETROLEUM** and **OIL & GAS DEVELOPMENT COMPANY**, which are expected to launch in the second quarter of this year.

A consortium of **Credit Suisse**, **Arif Habib** and **AKD Securities** has won the OGDC mandate and a consortium of **Credit Suisse**, **Arif Habib** and **Topline** is the winner of the PP mandate.

A Citigroup, HBL and Next Capital consortium did not make the OGDC mandate, while the CLSA and Alfalah Securities combine lost out on the PP mandate.

The government plans to sell 10% of PP, worth up to Rs35bn at current prices, and around 7% of OGDC, currently valued at Rs40bn.

The government owns 67.5% of PPL and 74.97% of OGDC.

Pakistan's privatisation programme slowed down in recent years because of political uncertainty. The last major privatisation transaction was in 2015, when the state sold its residual 41.5% stake in **Habib Bank** for Rs102bn.

PHILIPPINES

DEBT CAPITAL MARKETS

EASTWEST BANK INCREASES BOND

EASTWEST BANKING CORP has increased its debut bond offering to Ps3.7bn (US\$73m), following strong demand.

It sold three-year bonds at 4.5% via lead arrangers and selling agents **EastWest** and **Unicapital**.

The offering was originally sized at Ps2bn, but was increased due to the good response.

SAN MIGUEL UNIT LINES UP BONDS

SAN MIGUEL FOOD AND BEVERAGE has won approval from the Philippines' Securities and Exchange Commission to launch a Ps15bn bond offering.

The food and beverage arm of **San Miguel**

plans to offer five and seven-year bonds.

BDO Capital, **BPI Capital**, **China Bank Capital**, **Philippine Commercial Capital**, **PNB Capital**, **RCBC Capital** and **SB Capital** are joint lead underwriters and bookrunners.

EQUITY CAPITAL MARKETS

WARBURG PINCUS TAPS BANKS ON IPO

Private equity firm **Warburg Pincus** is meeting banks to manage the around US\$500m IPO of **CONVERGE ICT SOLUTIONS**, people with knowledge of the transaction said.

Warburg Pincus invested US\$250m in the broadband service provider last year in its first investment in the Philippines.

Local businessman **Dennis Uy** is the founder of **Converge ICT**.

Converge ICT is planning a US\$1.8bn nationwide internet network.

The timing of the IPO has not yet been decided.

Warburg Pincus declined to comment on the IPO plan.

SINGAPORE

DEBT CAPITAL MARKETS

ESR CAYMAN VISITS SINGAPORE

Logistics property developer **ESR CAYMAN** has priced a S\$225m (US\$161m) five-year bond at par to yield 5.1%, inside initial guidance of 5.375% area.

Orders were over S\$725m from 38 accounts, with Singapore taking 95% of the bonds and others 5%.

Private bank investors dominated, booking 92% of the paper, while fund managers, banks and corporates took a combined 8%.

The bonds are unrated and will be issued off a US\$2bn multi-currency debt issuance programme.

DBS, **Credit Suisse** and **UOB** were joint bookrunners.

Proceeds will be used to refinance debt, to finance potential acquisitions, investment opportunities and working capital, and for general corporate purposes.

Hong Kong-headquartered **ESR** has US\$20bn of assets under management in China, Japan, South Korea, Singapore, Australia and India. It was co-founded by its senior management team and **Warburg Pincus**, and listed on the Hong Kong stock exchange last November.

Europe powers Vena Energy debut

■ Bonds Power producer prints first Asian IG renewable energy bond

Singapore-headquartered **VENA ENERGY** beat its price and size targets on its capital markets debut with a US\$325m green bond, despite differing views from the market on valuation.

Vena Energy, rated BBB-/A- (S&P/JCR), last Wednesday priced a five-year bond at par to yield 3.133%, equivalent to Treasuries plus 172.5bp, inside initial guidance of 200bp area. The Reg S bonds are expected to be rated BBB- by S&P.

Investors and analysts had a challenge assessing relative value since there are no other investment-grade US dollar bonds from renewable energy companies with projects across multiple countries in Asia.

Independent power producer Vena Energy has wind and solar assets in Australia, India, Indonesia, Japan, the Philippines, South Korea, Taiwan and Thailand.

Some analysts suggested Indian renewable energy producers such as Greenko and ReNew Power, which are rated Double B, were suitable price references. Those trade at spreads in the low to mid-300s.

Nomura's sales and trading desk wrote in a note that it viewed Vena Energy as a high-yield credit, as it argued the group would not

easily be able to walk away from troubled projects, and put fair value for the proposed issue at Treasuries plus 250bp.

In the end, the bookrunners pointed investors to bonds from India's NTPC and Adani Transmission, as well as Philippines-based renewable energy company AC Energy. The first two are focused on India, while AC Energy has projects in the Philippines, Vietnam and Indonesia.

NTPC's 2024 dollar bond, rated BBB-/BBB- (S&P/Fitch) was seen at a G spread of 141bp, Adani Transmission's 2026 (Baa3/BBB-/BBB-) was at 181bp, and AC Energy's unrated green bond due 2024 was seen at 156bp.

US-based fund Global Infrastructure Partners and its co-investors own Vena Energy, and that strong sponsorship encouraged high-quality funds to participate in a debut bond from an unlisted company. There were enough indications of interest from real-money accounts following roadshow meetings to persuade the issuer to go ahead.

"Some anchors had strong views on pricing and really wanted paper," said one of the leads. "A lot of investors from Asia

had questions on the structure or the value proposition."

The green element was also a more important selling point for European investors.

As a result, investors outside Asia drove the deal. Orders at final pricing were over US\$567m from 56 accounts, with Europe and offshore US investors taking 73%, and Asia 27%. Fund managers booked 84%, banks 13%, and private banks and others 4%.

The demand enabled the issuer to increase the bond beyond its target size of US\$300m.

However, the relatively weaker demand from Asia meant that secondary trading was soft in Asian hours on Thursday, and the bonds were bid 7bp wider on Friday.

Orphan special purpose vehicle Vena Energy Capital is the issuer and Vena Energy Holdings, Vena Energy (Taiwan) Holdings and Zenith Japan Holdings are guarantors.

Credit Agricole, DBS, ING and MUFG were joint global coordinators. They were also joint lead managers with *ABN AMRO, Banca IMI, BNP Paribas and SMBC Nikko*.

Proceeds will refinance corporate loans for green projects.

DANIEL STANTON

■ HDB INCREASES BOND ISSUE

HOUSING AND DEVELOPMENT BOARD has increased a seven-year bond offering to S\$700m from the base size of S\$600m.

The senior unsecured bonds, expected to be rated Aaa by Moody's, in line with the statutory board, were offered at par at a fixed rate of 1.76%.

DBS, Maybank, Standard Chartered and UOB were joint bookrunners.

■ OXLEY HIRES FOR BOND MEETINGS

Singapore-headquartered property company **OXLEY HOLDINGS** mandated *Credit Suisse* and *DBS* to arrange investor calls and meetings, which were held on February 19.

A Singapore dollar Reg S bond offering may follow, subject to market conditions.

Oxley earlier updated its US\$1bn euro MTN programme to add *Credit Suisse* as an arranger and dealer alongside *DBS*.

Oxley MTN is the issuer for notes from the programme and Oxley Holdings the guarantor.

Oxley, which has development and investment projects in countries including

Singapore, the UK, China, Japan and Myanmar, has a S\$150m 5.15% bond due on May 18.

SYNDICATED LOANS

■ APRIL CLOSES LOAN AT US\$1BN

Two dozen lenders have joined **ASIA PACIFIC RESOURCES INTERNATIONAL**'s self-arranged US\$1bn multi-tranche financing, which has finally closed after eight months.

Launched in June last year, the deal encountered a slow phase following environmental concerns relating to several Indonesian forestry product companies over fires in Indonesia's peatlands in late 2019.

The borrowing has been increased from a US\$650m base size and is expected to sign at the end of February.

It comprises a US\$90m three-year bullet tranche 1, a US\$830m five-year amortising tranche 2 and a US\$80m seven-year amortising tranche 3.

The loan initially comprised a US\$100m three-year bullet tranche 1, a US\$350m

five-year amortising tranche 2 and a US\$200m seven-year amortising tranche 3. It also carried a greenshoe option of up to US\$350m.

MLABs earned fees of 80bp, 85bp and 105bp for tranche 1, 2 and 3, respectively, based on interest margins of 200bp, 215bp and 240bp over Libor.

APRIL International Enterprise, a unit of Cayman-incorporated AP International Resources (API), is the borrower. API is a unit of APRIL.

Proceeds will be used for general corporate purposes of APRIL Group and API, including but not limited to refinancing, working capital and maintenance capital expenditure requirements.

APRIL's last visit to the loan markets was in December 2018 when it raised a US\$835m self-arranged loan that attracted 21 lenders. *ABN AMRO* Singapore branch, *First Abu Dhabi* Singapore branch and *MUFG* Singapore branch received the MLAB title.

That facility comprises a US\$725m five-year portion (facility A) and a US\$110m seven-year piece (facility B) that pay margins of 215bp and 240bp over Libor,

respectively. The average lives are 3.125 and 4.125 years. The top-level fees were 80bp for facility A and 105bp for facility B.

APRIL, part of privately owned industrial group RGE, produces pulp and paper, and has operations in Indonesia and China.

For full allocations, see www.ifre.com.

RESTRUCTURING

CONFUSION AS USUAL FOR HYFLUX

Struggling water treatment company **HYFLUX** said it has received a letter from a potential investor, even though it has been in talks with United Arab Emirates-based **UTICO** since last year regarding a rescue package.

Longview International Holdings wrote to Hyflux expressing an interest in investing alongside an unnamed "major Chinese entity", but has not given any details of the proposed terms, Hyflux wrote in a filing to the Singapore Exchange.

Since Hyflux defaulted on its debt in 2018, bondholders have had to deal with a bewildering flurry of announcements about the future direction of the company. Indonesian consortium SMI Investment walked away from a proposed investment in 2019, shortly before Utico began negotiating with Hyflux on an exclusive basis.

Hyflux and Utico signed a restructuring agreement in November, but soon afterwards Singapore-based investor **AQUA MUNDA** announced a tender offer to buy Hyflux's S\$1.8bn (US\$1.3bn) senior unsecured debt, including S\$265m of bonds, in what appeared to be an attempt to block the Utico deal.

Utico last week issued a press release asking for Hyflux and the Securities Investors Association of Singapore to put its offer, which includes two options for holders of Hyflux's S\$900m perpetual notes and preference shares (P&P) to receive some value back, to a vote in the next two to three weeks.

One of the options is for P&P holders to choose a deferred cash amount to be paid out over two years, as well as a bonus payment if Utico holds an IPO within that time.

In a confusing message, Utico said that it would consider paying an extra amount to P&P holders who chose the deferred payment option even if the IPO was delayed, though it did not specify the amount and said it could only assess whether to pay it after the results of the vote were in.

Hyflux has in the meantime obtained an extension from the Singapore High Court of a moratorium against legal proceedings

to April 30 from February 28.

A court hearing on the progress of Hyflux's restructuring will be held on March 10.

SOUTH KOREA

EQUITY CAPITAL MARKETS

FIVE VIE FOR ROLES IN BIG HIT IPO

Five banks have applied for roles in the planned KRX IPO of music group **BIG HIT ENTERTAINMENT**, people with knowledge of the matter said.

The five are *Citigroup*, *JP Morgan*, *Korea Investment & Securities*, *Mirae Asset Daewoo* and *NH Investment & Securities*, according to the people.

The South Korea company, which manages K-pop stars like boy band BTS and TXT, plans to list in the second half of this year, one of the people said.

Founder and executive producer Bang Si-hyuk is the company's largest shareholder with a 43% stake. Other major shareholders are gaming company Netmarble and venture capital firm STIC Investment.

Netmarble is the second biggest investor after it bought a 25.7% stake in 2018 for W201.4bn (US\$190m).

Big Hit, founded in 2005, had revenues of W214.2bn and net profit of W50.2bn in 2018, according to its website.

TAIWAN

SYNDICATED LOANS

CPDC BUILDS LOAN FOR MALL REDEV

CHINA PETROCHEMICAL DEVELOPMENT is sounding the market for a loan of up to NT\$30bn (US\$1bn) to back the redevelopment of Living Mall in the island's capital.

The company is in preliminary talks with relationship banks for the facility, and terms are still being finalised.

Last September, CPDC acquired the mall for NT\$37.2bn through its development unit from Core Pacific City, the operator of the mall located in Taipei's Songshan District.

Both Core Pacific City and CPDC are units of Core Pacific Group, which owns civil engineering, construction, financial and entertainment businesses.

CPDC plans to tear down Living Mall this year and construct a commercial zone with four new 19-floor office buildings slated for opening in 2022.

Living Mall, first opened in 2001, was the biggest shopping mall in Taiwan at the time, with a total of 20 levels, including 12 floors above ground.

Faced with heavy losses over the years, Core Pacific City began a sale process in December 2018 for the complex, which was valued at NT\$38bn.

More than two decades ago, in July 1997, Core Pacific City raised a NT\$12bn 10-year project financing to back the construction of the L-shaped commercial complex.

China Development Financial Holding was the mandated lead arranger and bookrunner of that transaction, which offered an interest margin of 100bp over the post office savings rate, according to Refinitiv LPC data.

In February 2016, CPDC raised a NT\$4.35bn three-year loan. Mega International Commercial Bank was the MLAB on that deal, which offered a margin of 90bp over Taibor, with a pre-tax interest floor set at 1.8%, according to Refinitiv LPC data.

Founded in 1969, Taiwan-listed CPDC is primarily engaged in the manufacture and sale of chemical products.

UNITECH PCB LAUNCHES NT\$3.5BN REFI

Taiwanese electronics components maker **UNITECH PRINTED CIRCUIT BOARD** has launched a NT\$3.5bn five-year loan into general syndication.

Bank of Taiwan is the sole mandated lead arranger and bookrunner of the facility, which comprises a NT\$2.7bn tranche A and a NT\$800m tranche B.

The deal pays an interest margin ranging from 80bp to 110bp over three or six-month Taibor based on the borrower's pre-tax net profit margin.

Banks are being invited to join as co-arrangers with commitments of NT\$500m–\$699m tickets for an upfront fee of 12bp, or as participants with NT\$200m–\$499m tickets for a 7bp fee.

The deadline for responses is March 13. Banks committing by March 6 will receive a 3bp early-bird fee.

The borrower's factory and machinery serve as security, while its chairman is the guarantor.

Funds are to refinance a NT\$4.5bn five-year loan the borrower raised in March 2017 and for working capital purposes. BoT also led that deal, which offers a margin ranging from 85bp to 110bp over three or six-month Taibor based on the borrower's pre-tax net profit margin.

BoT was also an MLAB on loans totalling Rmb471m-equivalent (US\$66m) last September for two units of UPCB. That borrowing comprises three-year portions of US\$24m and Rmb300m for Shanghai Unitech Electronics and Shanghai Unitech Electronics (Nantong), respectively.

The US\$24m portion pays an interest margin of 110bp over Libor, while the Rmb300m onshore portion pays an initial margin of 15bp over the five-year loan prime rate, which is currently at 4.85%.

UPCB makes printed circuit boards for computers, smart devices and smart cars.

THAILAND

SYNDICATED LOANS

› MITR PHOL SIGNS FIRST GREEN LOAN

MITR PHOL SUGAR CORP and its wholly owned subsidiary have raised US\$170m through a sustainability-linked revolving credit facility, the first such loan in Thailand, the company said in a press release last Wednesday.

Thailand's largest sugar producer and its **MITR PHOL TREASURY CENTER** unit are the borrowers on the 364-day loan, which has two 364-day extension options.

Rabobank Singapore Branch acted as sole sustainability coordinator, mandated lead arranger and bookrunner for the transaction.

Proceeds will finance the general working capital and corporate funding requirements of Mitr Phol and its subsidiaries.

The interest margin on the facility is linked with the achievement of pre-determined improvement targets for key performance indicators, which will be tracked and reported in line with the company's annual sustainability report.

Mitr Phol has identified specific KPIs centred around improvements in greenhouse gas emissions, energy consumption, water usage, and promoting the use of green/fresh cane for its sugar mills.

The company has operations in China, the Laos People's Democratic Republic, Australia and Indonesia. The group has also expanded into other bio-based industries, including bio-power, ethanol, wood substitutes, and fertilisers.

For full allocations, see www.ifre.com.

VIETNAM

SYNDICATED LOANS

› TECHCOMBANK LAUNCHES DEBUT LOAN

VIETNAM TECHNOLOGICAL & COMMERCIAL JOINT STOCK BANK (Techcombank) has launched a US\$300m three-year debut loan into general syndication.

ANZ Bank, CTBC Bank, First Abu Dhabi Bank, Taishin International Bank and United Overseas Bank are the mandated lead arrangers, underwriters and bookrunners.

Mega International Commercial Bank has joined as MLA prior to general syndication.

The facility offers an interest margin of 150bp over Libor.

Lead arrangers committing over US\$25m earn a top-level all-in pricing of 163bp via an upfront fee of 39bp, while arrangers coming in for US\$10m–\$25m receive an all-in of 159bp through fees of 27bp.

A conference call for lenders is scheduled in the week of March 2, with commitments due by March 20.

Techcombank is one of the biggest private-sector lenders in Vietnam, with over 5.4m customers and an extensive network of 314 branches across the country.

Its largest shareholder currently is Masan Group with a 14.98% stake, according to Refinitiv data.

› PETROVIETNAM RAISES US\$1.4BN PF

PETROVIETNAM POWER CORP has signed a US\$1.4bn project financing backing the construction of two new gas-fired power plants in southern Vietnam.

Citigroup and *ING Bank* were the lenders of the financing, which closed as a club, according to sources and a company press release on February 7.

Funds are for the construction of 1,500-megawatt Nhon Trach 3 and 4 plants in Dong Nai province that will get fuel from liquefied natural gas produced locally.

The new thermal power plants, which have a total investment capital of D33.3trn (US\$1.46bn), are scheduled to start commercial operations from the fourth quarter of 2022.

In 2010, PetroVietnam raised a US\$470m-equivalent 12-year financing backing the 750-megawatt gas-fired power plant for PetroVietnam Nhon Trach 2 Power.

PV Power is a subsidiary of Vietnam Oil and Gas Group and Vietnam's second-largest electricity producer.

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