



Three months after SIA's inaugural public offer of bonds was heavily oversubscribed, CapitaMalls Asia is now aiming to sell up to S\$200mil to retail investors.

About CapitaMalls Asia

CapitaMalls Asia (CMA) is an offshoot of the CapitaLand Group. It develops and operates shopping malls mainly in Singapore, Malaysia and China. {loadposition advert1}

Yield & Liquidity

Investors may subscribe to 1-year or 3-year bonds, of which up \$100mil of each tenure may be issued. They carry interests of 1% and 2.15% for the 1-year and 3-year bonds respectively, payable annually on 21 Jan.

Upon listing, the bonds can also be traded on the Singapore Exchange. However, with typical minimum brokerage commission at \$25 (or 0.275%), liquidity in the bonds is expected to be low.

Minimum denomination

The preference shares are priced at S\$1 each, in board lots of 1000 shares. Minimum investment is thus \$2,000.

Risks

The CMA bonds are not rated by credit agencies, but are backed by CapitaMalls Asia, which is part of the CapitaLand Group. Both CMA and CapitaLand are listed on the Singapore Exchange, which CapitaLand is a constituent of the Straits Times Index (STI). CMA has a strong balance sheet and is in a net cash position, with cash balances of S\$1.41b as of Sep 2010.

Term

The CMA 1-year and 3-year bonds expire on 21 Jan 2012 and 21 Jan 2014 respectively.

Application procedure

Applications can be made via any DBS, POSB, OCBC or UOB ATM from 9.00 a.m. on 7 Jan 2011 until 12.00 noon on 17 November 2010.

Conclusion

With an annual interest of just 1% and 2.15% for the 1-year and 3-year bonds respectively, the terms are not particularly attractive from a risk-reward perspective. The returns are similar to the

[recent SIA bonds](#) with a yield of 2.15% p.a. (but with a longer five year term).

In comparison, the [DBS preference share offering](#) two months ago has a higher yield of 4.7% (perpetual) but it should be noted that preference shareholders rank lower (thus are more risky) than bond holders in a credit event.

The CMA bonds are still more attractive than fixed deposits and are more accessible to investors due to the low minimum investment of \$2,000. CMA's retail bonds offer is likely to be oversubscribed. **NEUTRAL**.

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