

IFR CHINA CAPITAL MARKETS BRIEFING

■ JANUARY 22 2013

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The IFR China Capital Markets Briefing is a daily report providing focused coverage of primary issuance and other key developments in this market. The Briefing is emailed at midnight, Hong Kong time, and is broadcast in text with a PDF attachment – allowing it to be printed, viewed on a PC or read on a mobile device.

A Chinese language version of the briefing is also available. For more details on this – or any aspect of the **IFR China Capital Markets Briefing** – please email paul.holliday@thomsonreuters.com

CHINESE YUAN BONDS

ARRANGERS: 1/1/2013 TO 17/1/2013

Managing bank or group	No. of issues	Total US\$(m)	Share (%)
1 HSBC Holdings PLC	11	3,940.0	28.9
2 Standard Chartered PLC	6	2,618.0	19.2
3 BNP Paribas SA	4	1,551.0	11.4
4 National Australia Bank	2	1,350.0	9.9
5 Agricultural Bank of China	2	976.7	7.2
Total	28	13,656.2	

Source: Thomson Reuters (SDC code: AS24a)

CHINA EQUITY CONVERTIBLE

ARRANGERS: 1/1/2013 TO 17/1/2013

Managing bank or group	No. of issues	Total US\$(m)	Share (%)
1 Huatai United Securities Co	1	727.9	27.3
2 UBS	2	473.7	17.8
3 Goldman Sachs & Co	1	398.2	14.9
4 Bank of China Ltd	2	236.0	8.9
5 Deutsche Bank	1	187.3	7.0
=5 BofA Merrill Lynch	1	187.3	7.0
Total	11	2,668.4	

Source: Thomson Reuters (SDC code: C1m)

To find out how you can generate league tables and analyse investment banking and deal trends take a look at ThomsonONE.com Investment Banking and SDC Platinum.

Equities

ZHEJIANG SOUTHEAST ELECTRIC POWER is reportedly looking at transferring its B-shares to A-shares. The plan is expected to provide one more option to solve the problems of the staggering B-share market after some B-share companies migrated to Hong Kong. The company said it had secured board approval for its proposal to terminate GDRs of the company and delist on the LSE.

An unnamed official of the company did not confirm the B-to-A listing plan to IFR, but said the company aimed at publishing its restructuring plan before the Lunar New Year (February 9).

Trading in the company's B-shares has been suspended since November 21, for the major shareholder is planning some "significant asset restructure". *CICC* is working on the transaction.

The company's rumoured plan of migrating to A-share market is expected to bring significant impact. It may provide an ultimate solution for companies listed on the B-share market, which is illiquid and lacks fundraising ability. *ZSEP* is listed in Shanghai's B-share market only. As the possible first B-to-A share company, *ZSEP* will have to solve some issues. One of the main ones is that the B-share market allows foreign investors to participate, while the A-share does not. If it transfers its B-shares to A-shares, their foreign shareholders have to find a way to hold A-shares.

Sole bookrunner *BOC International* is in the market with a sell-down in **YUZHOU PROPERTIES** for up to HK\$416m (US\$54m). The deal, involving 166.3m shares or 5.77% of the company's market cap, is being marketed at an indicative price range of HK\$2.40–\$2.50, translating to a discount of 6.02%–9.77% to today's closing. *Harmonic Winner*, the vendor, will no longer hold any share in the company after the transaction.

COMTEC SOLAR SYSTEMS GROUP also launched a top-up placement for HK\$174m (US\$22.5m). The sale of 100m shares or 8.4% of the existing share capital is being marketed at a fixed price of HK\$1.74, representing a 7.4% discount to today's closing of HK\$1.88. There is an upside option of up to 50m shares with the deal. The company will be subject to a 90-day lock-up period. Proceeds will be used to fund expansion and for general working capital. *CCB International*, *Guotai Junan Securities* and *Macquarie* are joint bookrunners.

SUNAC CHINA raised HK\$2.01bn (US\$260m) from a top-up placement of 300m shares. The deal was priced at the bottom of the indicative price range of HK\$6.70–\$6.90, representing a discount of 6.8% to yesterday's closing of HK\$7.19. The book was well covered with around 50 investors. Asian demand dominated the book, but there were also orders from the Europe. There is a 90-day lock-up period on the company. *Citigroup* was sole bookrunner. Sunac shares fell 7.51% to close at HK\$6.65 today.

Bonds

ICBC has submitted a proposal to the central bank to issue multi-tranche asset-backed securities of up to Rmb3.542bn (US\$569m). The CBRC has already approved the proposal, which will be the third ABS issue from a commercial banks since the authorities reopened the door to such deals last year.

Sources said the deal would comprise a domestic Triple A rated Tranche of Rmb3bn, a Double A rated Tranche of Rmb170m, and unrated high-yield paper of Rmb372.35m. The expected maturities are July 26 2015 on the Triple A Tranche (85% of the deal) and January 26 2016 on the Double A Tranche (4.5% of deal) and the unrated/high-yield portion (10.5% of deal). Legal maturity of the tranches is on July 26 2018.

A bookbuilding process will determine prices on the Triple A and Double A Tranches, which will all be floating-rate pieces referenced to the one-year deposit rate. The unrated/high-yield tranche will be privately placed.

ICBC, the originator and servicer, has named *CICC* and *Citic Securities* as joint lead managers on the deal. *Zhonghai Trust* acts as trustee and issuer. *ICBC International* is the financial adviser.

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LONGFOR PROPERTIES has sent out initial price talk of the 7% area for its 10-year non-call five bonds denominated in US dollars. *Citigroup*, *HSBC*, *Morgan Stanley* and *Standard Chartered Bank* are leads on the Reg S issue, which is set for pricing today. The issuer is rated Ba2/BB+ (Moody's/S&P), while the issue is a notch below at Ba3/BB.

Orders are quickly building up for **HENGDELI HOLDINGS'** Reg S bond, with books already twice covered, according to a source. The borrower plans to raise US\$300m-\$400m through the Reg S issue and had announced a final guidance of 6.375% (+/-12.5bp), tighter than an initial price talk of the 6.875% area this morning for the five non-call three bond.

The high-end consumer goods retailer has chosen *Deutsche Bank*, *Standard Chartered*, *JP Morgan* and *HSBC* as leads on the deal and plans to use the proceeds to redeem its HK\$2.5bn 2015 CB, which has a put date of October 20 2013.

Chinese telecoms manufacturer **DBA COMMUNICATION ASIA** is marketing five-year non-call three notes at initial price talk in the 12% area. The expected deal size is US\$200-\$300m. *BNP Paribas* and *Deutsche Bank* are leads on the Reg S deal, which is set to be this week's business.

CHINA AOYUAN tapped its outstanding US\$125m 13.875% due November 2017 Reg S bonds for a further US\$100m yesterday. The final outcome for the B3/B+ rated (Moody's/S&P) is an indication, perhaps, that investors are increasingly picky when it comes to venturing down the credit curve. Leads *Bank of America Merrill Lynch*, *Citigroup* and *UBS* had marketed the tap at a size of US\$175m, with reverse enquiry said to have been the reason for the deal.

In the end, the tap printed at 12% for US\$100m and was covered just 2x via 40 participants.

Private banks stepped up for 65% of the tap, thanks, in part, to a 30 cent rebate on offer, while funds took 35%. Europe was relatively well represented with a 21% take-up and Asia took the remaining 79%.

The order book on **CENTRAL CHINA REAL ESTATE'S** US\$200m seven-year non-call four built to US\$2.6bn with 118 accounts participating. Leads *JP Morgan*, *Morgan Stanley*, *UBS* and *HSBC* priced the deal at par at a coupon and yield of 8%. During bookbuilding guidance was tightened to 8.125% (+/- 5bp) from initial price talk of the 8.50% area.

In terms of investor type, funds bought 66% of the deal, private banks took 32%, banks and corporates took 2%.

CHINA SCE'S tap of its 11.50% 2017 Reg S-only bond has a final order book of US\$800m with 50 accounts participating.

It priced US\$150m of the bonds at a reoffer price of 108.00, yielding 9.381%. The initial price talk was the 9.51% area and the final guidance was tightened to 9.385%. The bonds were trading at 107.875 today. *Deutsche Bank*, *HSBC* and *ICBC international* were joint leads.

Fund managers bought 80% of the bonds, 15% went to banks and 5% to private banks. Asian investors bought 97% of the deal and the remaining 3% went to Europe.

Loans

ZHANGJIAGANG YANGTZE RIVER PETROCHEMICAL, a shareholding subsidiary of Shenzhen-listed **ORIENTAL ENERGY**, is seeking Rmb2.8bn (US\$450m) in loans for a chemical production project. The borrowing comprises a Rmb2.2bn for project finance with a tenor of no more than six years and a Rmb600m one-year facility for working capital.

Industrial & Commercial Bank of China Suzhou has been mandated for the deal, while the Zhangjiagang branches of *Agricultural Bank of China*, *Bank of Communications*, *China Construction Bank*, *ICBC* and *China Development Bank* Suzhou are seeking credit approvals to join as lenders.