IFR CHINA CAPITAL MARKETS BRIEFING

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.

CHINESE YUAN BONDS
ARRANGERS: 1/1/2013 TO 25/7/2013

	Managing bank or group	No. of issues	Total US$(m)	Share (%)
1	HSBC Holdings	98	35,891.3	32.8
2	Standard Chartered	57	19,120.0	17.5
3	BNP Paribas	50	15,371.3	14.0
4	Indl & Comm Bank China	10	3,526.7	3.2
5	Bank of China	5	2,826.7	2.6
	Total	**226**	**109,588.7**	

Source: Thomson Reuters (SDC code: AS24a)

CHINA EQUITY CONVERTIBLE
ARRANGERS: 1/1/2013 TO 25/7/2013

	Managing bank or group	No. of issues	Total US$(m)	Share (%)
1	Goldman Sachs	11	4,356.0	12.2
2	UBS	11	2,992.9	8.4
3	Haitong Securities Co	9	2,504.3	7.0
4	Guotai Junan Securities	11	2,133.9	6.0
5	China Securities Co	5	1,497.5	4.2
	Total	**160**	**35,761.9**	

Source: Thomson Reuters (SDC code: C1m)

CHINA SYNDICATED LOANS
ARRANGERS: 1/1/2013 TO 25/7/2013

	Managing bank or group	No. of issues	Total US$(m)	Share (%)
1	Bank of China	46	7,018.6	16.7
2	China Development Bank	5	4,866.0	11.6
3	Bank of Comms Co	8	4,700.7	11.2
4	China Construction Bank	5	4,160.0	9.9
5	Shanghai Pudong Dev Bk	8	1,902.0	4.5
	Total	**119**	**41,925.2**	

Source: Thomson Reuters (SDC code: S8e)

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Equities

Holders of CHINA AGRI-INDUSTRIES HOLDINGS' 1.0% convertible bonds due 2015 have put HK$2.669bn (US$344m) in principal amount of the outstanding bonds, representing a take-up rate of around 69%. They will be paid 103.076% of face value. After the early redemption, the outstanding principal amount of the bonds stands at HK$1.2bn.

The issuer of the bonds in 2010 was China Agri wholly-owned subsidiary Glory River Holdings. China Agri is an agribusiness and food-processing company.

CHINA GENERAL NUCLEAR POWER GROUP aims to raise not less than Rmb20bn (US$3.26bn) from a dual A and H listing next year, according to a Wenweipo report. The report cited comments CGN deputy general manager Shi Bing made during a bond roadshow for subsidiary Meiya Power.

CGN, formerly known as China Guangdong Nuclear Power Group, will be the first top company in the sector in the PRC to be listed in both Hong Kong and Shanghai, if the plan comes to fruition. *Citic Securities* and *Guotai Junan Securities* are said to be close to the transaction.

Apart from CGN, several other PRC nuclear power developers are also looking to go public. CHINA NATIONAL NUCLEAR POWER has filed an application to the China Securities Regulatory Commission to launch a jumbo Shanghai IPO of about Rmb16bn. The deal is expected to be done next year. *Citic Securities* and *UBS Securities* are leads on the CNNP float.

State Nuclear Power Technology Corp also plans to go public. BOC International (China) is close to the SNPTC deal.

SINOCHEM INTERNATIONAL received final approval from the CSRC for its proposed private share placement of up to Rmb4bn (US$652m). The company plans to place up to 691m shares at a floor price of Rmb5.79. Controlling shareholder Sinochem has agreed to subscribe to not less than 55.76% of the placement.

Proceeds from the placement, for which *CICC* is sole bookrunner, will be used for acquisitions and replenishment of working capital.

Bonds

POLY REAL ESTATE priced debut five-year bonds in a narrow window this week as macroeconomic events take centre stage with the FOMC meeting and the pending release of non-farm payroll data. However, the relatively small order book and modest tightening of price guidance reflected concerns about China's economy.

The bonds priced at 99.061 to yield 4.713%. Poly set the coupon at 4.5%. The US$500m offering priced at 335bp over US Treasuries, tighter than the initial price talk of Treasuries plus 340bp area.

The bonds traded wider at the open, though. They were quoted as wide as Treasuries plus 341bp/Treasuries plus 338bp before coming back to Treasuries plus 335bp, with the markets a bit shaky ahead of the FOMC meeting.

The US$1.5bn order book, with 115 accounts, already reflected the lukewarm demand. It was not as big as the books for last week's offerings from Korea Gas and Indian Oil Corp at US$6bn and US$3.5bn, respectively.

Even the price tightening from initial guidance was just 5bp.

"Some people are a little cautious on the China story and there have been questions about a hard landing and what the government will do or not do to support growth and some troubling headlines on PMI last week. That probably capped the book from achieving the size we have seen on few other deals," said a banker close to the deal.

The issuer had completed a roadshow last month and monitored conditions before coming to the market when volatility subsided.

Citic Securities International, *HSBC*, *Credit Suisse*, *Deutsche Bank*, *ICBC International*, *RBS* and *UBS* were joint bookrunners, with the two first also being global co-ordinators.

Poly is rated Baa2/BBB+/BBB+, while the issue is expected to be a Baa3/BBB–/BBB+.

In terms of pricing, it had to leave some premium on the table.

The closest comp was China Vanke, which was at a G-spread of Treasuries plus 275bp before the deal was announced, meaning a premium of 60bp. However, Vanke's bonds widened after the new deal was announced to a G-spread of 305bp. At that level, Poly paid a premium of 30bp over.

Fund managers bought 67% of the Reg S bonds, banks 11%, private banks 10%, insurance companies 8% and corporations 4%. Asian accounts took up 81% of the bonds, Europe 16% and US offshore investors 3%. The issue will be settled on August 6.

BANK OF CHINA said its up to Rmb60bn (US$9.77bn) of loss-absorbing Tier 2 capital instruments proposal has been approved by its board. The tenor of the instruments will be no less than five years and the deal will be offered before the end of 2015 in onshore or offshore markets.

Hong Kong-listed WEIQIAO TEXTILE is preparing to issue corporate bonds of up to Rmb3bn (US$489m) next month, according to two sources close to the deal. The offering will be off the company's approved corporate bonds issuance quota totalling Rmb6bn. The issue is planned as five-year non-put three and the roadshow price indication is 5.35%–6.05%.

The final approval for the issue is still pending. Sources said Weiqiao would get the go-ahead early next month and the deal will get done in mid-August. Dagong has rated both the deal and the issuer AA.

Loans

Senior syndication on SHUANGHUI INTERNATIONAL's US$4bn jumbo acquisition financing has closed with eight banks in the underwriting group and preparations under way for general syndication in August.

ING, which was expected to join in senior, was not on the deal, sources said. The eight banks that already committed are *Bank of China*, *Credit Agricole*, *DBS*, *ICBC*, *Natixis*, *Rabobank*, *RBS* and *Standard Chartered*.

Co-ordinator *BOC* had invited each bank to underwrite US$1bn in senior syndication. General syndication could launch in mid to late August.

Shuanghui and Smithfield Foods said on May 29 that the Chinese pork producer would acquire all outstanding shares of the US-based firm for US$34 per share in cash, or about US$4.7bn. The transaction values Smithfield at about US$7.1bn, including the assumption of its net debt.

The US$4bn debt financing comprises US$2.5bn three-year and US$1.5bn five-year tranches. Shares of Smithfield will secure the facility.

The average lives of the two tranches are about 2.7 years and 4.7 years, respectively. The three-year tranche offers a margin of 350bp over Libor, while the five-year offers 450bp.

In senior syndication, banks received all-ins of 400bp on the three-year and 500bp on the five-year.

Morgan Stanley is sole financial adviser to the Chinese company. Besides being a lead on a US$750m ABL facility for Smithfield, the US bank is also completed a US$1.5bn 364-day bridge loan last week.

AGILE PROPERTY HOLDINGS has exercised a HK$1.65bn (US$213m) greenshoe on its three-year amortising loan to increase its size from HK$1.482bn. With the greenshoe exercised, the borrowing now totals HK$5.628bn, including a HK$3.978bn base facility in which six banks participated.

Six banks joined the greenshoe facility. *Bank of Communications Hong Kong* joined as lead arranger for HK$400m, while *China Merchants Bank Hong Kong*, *Tai Fung Bank* and *Wing Lung Bank* took HK$300m each. *China Everbright Bank* took HK$250m and *Fubon Bank Hong Kong* HK$100m as arrangers.

The HK$3.978bn base loan was reduced to HK$3.978bn from the previously reported HK$4.368bn after Bank of America Merrill Lynch withdrew from the facility. Six others, namely *HSBC* (HK$1.17bn), *Standard Chartered* (HK$858m), *Hang Seng* (HK$780m), *BEA* (HK$390m), *ICBC Asia* (HK$390m) and *UBS* (HK$390m), signed the base deal.

The greenshoe was launched in mid-May, offering a top-level all-in of 455bp. The unsecured loan has a margin of 420bp over Hibor and an average life of 2.31 years.