

IFR CHINA CAPITAL MARKETS BRIEFING

■ JULY 29 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.

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)

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

EVERBRIGHT SECURITIES has become the latest victim of China's financial examination on IPOs.

The China Securities Regulatory Commission has withdrawn approval for Everbright Securities' proposed private share placement of up to Rmb8bn (US\$1.3bn), due to its role in the planned IPO of Henan Tianfon Energy-saving Panel Science and Technology.

The CSRC has been conducting an official investigation of Everbright Securities since late June for its activities in sponsoring the IPO of Tianfon. According to China's securities rules, companies are not allowed to carry out private placements if they are under CSRC investigation. The investigation is continuing.

Tianfon faced financial fraud allegations for its proposed Shenzhen IPO and the CSRC said it had inflated its sales revenues for the past three years.

Everbright Securities originally planned to place not more than 600m shares at a floor price of Rmb11.65. Its second-largest shareholder, China Everbright, agreed to subscribe to up to 20m of the placement shares. *China Merchants Securities* was sole bookrunner. Proceeds were to be used to boost the company's core capital.

QINHUANGDAO PORT has joined the queue of PRC companies looking to list in Hong Kong, after a long waiting period to go public domestically.

The largest coal-shipping port in China aims to list in Hong Kong before the end of this year through an IPO of US\$500m–\$700m, according to two sources familiar with the situation. The company originally planned to raise about Rmb4.81bn (US\$784m) from a Shanghai IPO, but opted for Hong Kong due to uncertainty about the resumption of A-share floats.

Qinhuangdao Port is one of many A-share listing candidates turning to Hong Kong for a listing after waiting for a long time without success to do so in the domestic markets.

CHINA GRAND AUTOMOTIVE SERVICES plans to raise US\$500m–\$1bn in Hong Kong in the first half of next year via *CICC* and Goldman Sachs.

Hefei-based **HUIZHANG BANK** and **BANK OF CHONGQING**, two of the 16 city and rural commercial lenders to file listing applications with the CSRC, now also plan to list in Hong Kong first instead. Bank of Chongqing aims to do a US\$500m–\$600m float in the second half of the year, while Huishang Bank plans a US\$1.5bn listing early next year.

CICC, which worked on Qinhuangdao Port's planned A-share listing, is handling the Hong Kong offering with HSBC and Citigroup.

The CSRC will review on Wednesday Shenzhen-listed **XCMG CONSTRUCTION MACHINERY**'s application for a proposed issue of six-year convertible bonds of up to Rmb2.5bn (US\$408m).

The unsecured CBs will carry a coupon of not more than 2.5%. Morgan Stanley Huaxin Securities is heard to be close to the transaction. Proceeds will be used for three machinery plants and a R&D project.

XCMG postponed its Hong Kong IPO of up to US\$1.2bn in September 2011. It recently sought to extend shareholder approval for the listing to July 2014.

Bonds

Books on a new Reg S five-year bond offering from Chinese developer **POLY REAL ESTATE** crossed the US\$500m mark in the first hour after being announced. The company aims to do the first offshore G3 China deal since June 4, when Huaneng Energy priced a Reg S five-year, and the first from the PRC property segment since Central China priced in late May a US\$400m five-year Reg S.

Huaneng's US\$400m unrated bonds came at Treasuries plus 240bp, which looked pretty tight at the time, although the paper was rumoured to have been placed largely with relationship lending banks. So, many saw it more as a private placement than a true market reopening.

At the guided Treasuries plus 340bp area, the deal offers decent value to the most appropriate comp, China Vanke, which was last bid at a G-spread of plus 275bp, meaning 65bp is up for grabs on a switch basis.

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Moody's rates Vanke a notch lower than Poly at Baa3, while S&P sees it as a Triple B credit as opposed to Poly's BBB-. Fitch rates both issuers BBB+. At such an attractive pricing, Poly can be expected to garner more book traction, meaning a further tightening of guidance can be assumed. Still, the generous starting level is an indicator that nothing can be taken for granted in G3 primary at the moment, particularly in a week heavy with US economic data.

While not being referenced as a comp for the planned new deal, Poly's Hong Kong unit in May priced a US\$400m due May 2018, which was last trading at 99.5 for a 5.8% yield. Referencing the 1.357% yield on the five-year Treasury, at the indicated guidance, Poly's proposed deal is being shown at 4.75%.

Citic Securities International and *HSBC* are the global co-ordinators on the new Poly deal and joint bookrunners with *Credit Suisse*, *Deutsche Bank*, *ICBC International*, *RBS* and *UBS*.

CITIC SECURITIES, China's biggest securities house, is preparing to return to the market with three-year corporate bonds of up to Rmb5bn (US\$815m), according to sources close to the deal. The bonds are set to be offered on August 2 and will settle on August 8. Due to the continued squeeze in market liquidity, the current indication is between 4.70% and 5.20%, the sources say.

In the company's market visit in June, it priced a Rmb15bn dual-tranche issue of the much longer five- and seven-year pieces offered at 4.65% and 5.05%, respectively.

With its second tap of the year, CiticSec will use up its total Rmb20bn registered corporate bonds issuance allowance from the CSRC.

CiticSec has mandated *Haitong Securities* as lead on the deal, which Chengxin has rated AAA.

Shenzhen-listed **GUOYUAN SECURITIES** has closed a total Rmb5bn (US\$815m) of dual-tranche notes. The deal was split into a Rmb3.27bn of five-year non-put three tranche and another Rmb1.73bn of five-year piece, which was respectively priced at 4.70% and 4.90%, both arriving at the upper half of the indications.

Huatian United Securities was lead manager on the deal, while *China Galaxy Securities* and *China Lions Securities* were joint leads. Both the deal and the issuer were rated AAA.

Loans

SK CHINA, the China unit of Korea's SK Group, is mulling a dual-tranche refinancing of roughly US\$405m-equivalent for the SK Tower in Beijing.

The facility will comprise a Rmb520m onshore tranche and a US\$320m offshore tranche. A source said the tenor of the onshore tranche could be more than five years. Price talk on the two tranches is margins of 100% of the PBOC rate and around 250bp over Libor. One or two banks could get the mandate.

A company source said the refinancing plan was still under internal review and nothing had been finalised.

SK Group acquired the SK Tower from Singapore's CapitaLand in September 2008 for Rmb3.34bn (US\$545m).

LAFARGE SHUI ON CEMENT is seeking a Rmb1bn (US\$163m) three-year financing for four China subsidiaries with *Credit Agricole CIB* as mandated lead arranger.

Price talk is a margin of 115% of the PBOC rate. Banks will get upfront fees of 45bp, 38bp and 30bp, respectively, for commitments of Rmb300m or above, Rmb200m-\$299m and Rmb100m-\$199m.

Terms will be finalised within two weeks. Responses are due in late August. A site visit is being scheduled. Proceeds are for working capital.

The joint owners of Lafarge Shui On Cement are French building materials manufacturer Lafarge Corp and Socam Development. The deal will likely come with a parent guarantee and a comfort letter from Lafarge.

TIANJIN IRON & STEEL GROUP is seeking a three-year financing of about US\$150m and has mandated *Standard Chartered* as lead. Price talk is a margin of around 250bp over Libor.