

IFR CHINA CAPITAL MARKETS BRIEFING

■ MAY 9 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 9/5/2013

Managing bank or group	No. of issues	Total US\$(m)	Share (%)
1 HSBC Holdings	72	24,880.3	31.2
2 Standard Chartered	40	14,370.5	18.0
3 BNP Paribas	35	10,218.8	12.8
4 Indl & Comm Bank China	10	3,526.7	4.4
5 Bank of China	5	2,826.7	3.5
Total	164	79,868.1	

Source: Thomson Reuters (SDC code: AS24a)

CHINA EQUITY CONVERTIBLE

ARRANGERS: 1/1/2013 TO 9/5/2013

Managing bank or group	No. of issues	Total US\$(m)	Share (%)
1 Goldman Sachs	5	3,669.10	15.9
2 UBS	7	2,605.90	11.3
3 Haitong Securities Co	6	2,301.40	9.9
4 Guotai Junan Securities	7	1,860.40	8.0
5 Huatai United Securities	3	1,068.60	4.6
Total	101	23,142.40	

Source: Thomson Reuters (SDC code: C1m)

CHINA SYNDICATED LOANS

ARRANGERS: 1/1/2013 TO 9/5/2013

Managing bank or group	No. of issues	Total US\$(m)	Share (%)
1 Bank of China	23	3,344.6	20.9
2 China Development Bank	3	3,167.4	19.8
3 Bank of Communications	3	2,773.0	17.3
4 China Construction Bank	3	1,037.6	6.5
5 Indl & Comm Bank China	2	932.5	5.8
Total	54	16,017.2	

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

CHINA DAYE NON-FERROUS METALS MINING has issued Rmb820m (US\$134m) in renminbi-denominated and US dollar-settled convertible bonds.

The five-year deal came with an investor put at the end of year three. It carried a credit-enhanced feature, with Bank of China, Macau, providing an irrevocable standby letter of credit of up to Rmb840m. This means the pricing of the deal was based on BOC's Single A (S&P/Fitch) and A1 (Moody's) ratings.

On the back of the credit support, the deal was priced at a fixed coupon of 0.5%, a yield to put/maturity of 1% and a conversion premium of 28.2%.

The deal was marketed at a yield of 0.75%–1.25% and a conversion premium of 28%–33% over the company's last closing of HK\$0.234.

Bond floor was 94.3–95.7 at launch, while implied volatility was 22.4–26.8. At the final pricing, bond floor and implied volatility were 95 and 23.8 respectively.

The book was about 2.5 times covered with 30 to 40 investors participating. There was a balanced mix of long-only and hedge funds. Demand mainly came from Asia, followed by Europe. Proceeds will be used for working capital and general corporate purposes. DBS and CIMB were the joint bookrunners.

CHINA GALAXY SECURITIES has brought in one more cornerstone investor for its proposed Hong Kong IPO of HK\$10.6bn (US\$1.37bn). Sinopec Century Bright Capital, owned by Sinopec, has agreed to take up US\$80m of the float. This will take the number of cornerstone investors for Galaxy to seven, with a total commitment of US\$360m.

Other cornerstone investors include Khazanah Nasional (US\$100m), AIA (US\$50m), China Life (US\$30m), Cinda Asset Management (US\$20m), Genertec (US\$30m) and Sino Life Insurance (US\$50m).

The Chinese securities house is offering 1.57bn shares at an indicative range of HK\$4.99–\$6.77 each, representing a 2013 P/B of 1.18–1.47 times. The deal will price on May 15.

ABC International, China Galaxy International, Goldman Sachs, JP Morgan and Nomura are joint global co-ordinators, and joint bookrunners with 16 other banks.

GUIZHOU TYRE received CSRC approval for a proposed private share placement of up to Rmb1.6bn (US\$260m). The company plans to offer up to 300m shares at a floor price of Rmb4.54. Controlling shareholder Guiyang Industry Investment Group has agreed to subscribe to not less than 10% of the placement. Guosen Securities is sole bookrunner. Proceeds will be used for a technology improvement project.

Bonds

CHINA RAILWAY CONSTRUCTION CORP is playing its central government ownership role to the hilt as it aggressively attempts to price its debut dollar bond.

The company has tightened guidance to 180bp over US Treasuries, from 200bp over UST for its new 10-year Reg S-only bond. That cut through the secondary level of China Railway Corp, which is being quoted as the main comp.

In spite of the tight initial guidance, analysts expect the bonds to find good demand, given that CRCC is a state-owned enterprise under the control of the State Council of the Chinese Government.

Investors are, therefore, likely to treat the bonds as a proxy to sovereign risk from China. CRCC already gets a rating uplift for the central government ownership. Moody's rated the bonds A3 and S&P assigned it an A–, thanks to a three-notch uplift due to the central government ownership. Both agencies indicated that they would rate CRCC on the verge of junk on a standalone basis.

The same dynamic should help CRCC get a tight deal and could even move the secondary levels of some of its peers tighter. The issuer of the paper is YuXiang with the parent as guarantor. CRCC is rated A3/A–. Joint leads are Citigroup, HSBC and Morgan Stanley.

Food producer **WANT WANT CHINA** has adopted an aggressive stance in indicating final guidance at US Treasuries plus 115bp–120bp for its proposed five-year US dollar benchmark-sized 144A/Reg S transaction. It was indicated at the T+140bp area this morning.

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There are few close comps, but there is one with a similar background – Tingyi, which is also a Taiwanese food company with major operations in the PRC. Tingyi has US\$500m of 3.875% due June 2017 outstanding quoted at five-year Treasuries plus 145bp or 2.18% in the secondary market. That equates to a G-spread of about 161bp.

Want Want China is rated A3/A-/A-, one notch higher than Tingyi's Baa1/BBB+. The rule of thumb is for a 15bp premium for every rating notch. Hence, Want Want's fair value would be around 145bp, although some market players placed it a bit tighter around Treasuries plus 140bp.

However, compared with A3/A rated Baidu 2.25% due 2017 being quoted at five-year Treasuries plus 115bp. At initial indication, Want Want seems to provide 25bp of pick-up. The pick-up is even more obvious relative to a global food major, such as A3/A- rated Danone 3% due 2022, which was quoted at 2.64% or 10-year UST+83bp.

Yet, some further tightening is expected as books build up.

Especially since the deal offers diversification from heavy supply of Chinese high-yield paper lately. It also provides a rare opportunity to buy into a non-cyclical consumer sector in China, but with a decent Taiwanese management.

Bank of America Merrill Lynch and *JP Morgan* are joint lead managers and bookrunners.

The issuer will be Want Want China Finance with a guarantee from Want Want China Holdings (A3/A-/A-). The deal will be today's business.

China developer **POLY PROPERTY** has set the final guidance at 4.75% (the number) for its debut US\$500m five-year Reg S transaction. The order book has passed US\$5.5bn mark.

A relevant comp is Minmetals Land US\$ 5.5% due 2018 which were quoted at 4.587% in the secondary market. Hence, the deal is coming inside theoretical fair value.

Initial guidance was in the 5% area this morning, or roughly equivalent to Treasuries plus 425bp.

Leads are *Deutsche Bank*, *ICBC International*, *Royal Bank of Scotland* and *UBS*.

Investors gladly picked up the new unrated offshore renminbi bonds of Hong Kong-listed fashion retailer *i.t.* for a good opportunity to diversify from issues of state-owned enterprises and PRC property plays, which have dominated the Dim Sum market so far this year. The Rmb1bn (US\$159m) deal attracted Rmb2.7bn from 70 investors.

The first renminbi bond from a fashion chain store came in the form of a five-year priced at 6.25% last night. That was exactly in line with the initial guidance.

Despite a 25 cent rebate to private banks, the deal went to a good mix of investors. Surprisingly, fund managers did not mind the unrated status of the deal and took 62% of it, with private banks next at 27% and insurers at 11%.

The new paper was quoted at 100.05 this morning, meaning it drew robust support from a variety of investors.

Asian investors booked 94% of the deal and other regions took the rest. In addition to familiarity of the credit to investors at its home base, Hong Kong- and Singapore-based foreign funds were also keen to get exposure to the consumer sector.

HSBC and *Standard Chartered* were joint global co-ordinators and joint bookrunners for the renminbi Reg S senior note.

Loans

The 30-year term loan for the **TRANSPORT DEPARTMENT OF XINJIANG UYGUR AUTONOMOUS REGION** has been reduced in size to Rmb12bn (US\$1.95bn) from Rmb16bn.

A policy bank has obtained credit approval to join the deal, for which China Development Bank Xinjiang is mandated lead arranger.

Proceeds are for five expressway construction projects in the region, namely the Qitai-Mori Expressway, the Xiaocao Lake-Hoxud Expressway reconstruction, the Makit-Kashgar Expressway, the Sanchakou-Shache Expressway and the Yining-Dunmazha Expressway.

The loan, secured against toll rights, offers a margin of 100% of the PBOC rate and repays in semi-annual instalments after an eight-year grace period.

The Transport Department obtained a Rmb12bn 30-year loan in November 2012 for three other expressway sections. CDB was also the MLA on that loan, which paid the same margin.