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HD Deal Tracker: Old dogs, new tricks - Some old economy stalwarts were in action during the month
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Citic Pacific

- dollars 5.1 billion share placement

TD

- China Securities International, Citic Securities International

Citic Pacific raised HKdollars 39.5 billion (dollars 5.1 billion) by selling 2.932 billion shares to 15 strategic investors, moving closer to completing the purchase of Citic Ltd from its parent Citic Group for Rmb227 billion (dollars 36.4 billion).

Among the 15 strategic investors, state-owned entities subscribed to the majority of the shares. The National Social Security Fund took 5% of the total issued share capital for HKdollars 16.8 billion, while the overseas units of China's big four banks - ICBC, China Construction Bank, Agricultural Bank of China and Bank of China - agreed to buy a total of 1.74%. The State Administration of Foreign Exchange bought 1.39%, China Life purchased 1.15% and Beijing Infrastructure 0.18%.

Seven foreign investors, including Temasek, AIA, Qatar Investment Authority, CTBC Life Insurance, Tokio Marine & Nichido Fire Insurance, Mizuho Bank and Fubon Life Insurance, took a total of 2.31% of Citic Pacific's issued share capital.

The price of the placed shares was set at HKdollars 13.48 apiece, representing a premium of 6.48% to the Citic Pacific's closing price of HKdollars 12.66 on the acquisition announcement date of March 24, but a discount of 3.7% to its closing on May 15 after the share subscription was announced.

More to sell

To fund the acquisition of Citic Ltd, Citic Pacific planned to use Rmb50 billion in cash and raise Rmb177 billion via a massive new share issue to Citic Group. It also planned to raise another Rmb50 billion through a new share placement with institutional investors.

However, the shares sold to 15 strategic investors of dollars 5.1 billion only account for 62% of the original placement plan of Rmb50 billion (dollars 8 billion).

Contrary to some media reports that the company has aggressively cut the placed shares by 38%, the company will continue to sell more new shares to institutional investors, according to two sources familiar with the situation.

After the share sale to 15 strategic investors, Citic Pacific will maintain a public float of 17.78% of the total share capital, exceeding the minimum requirement, which is 15%.

The company intends to sell more because it wants to maintain a healthy share liquidity above the minimum. The total number of the new placed shares has yet to be confirmed but sources said 20%-25% is a target.

The company will keep contacting investors and sign more share placement agreements with them by August 29, the expected deadline of the completion of the whole acquisition.

Aquila Resources

- dollars 1.4 **billion**

- Deutsche Bank, Goldman Sachs, UBS, Satori

State-owned steel maker Baosteel and Australia's bulk rail freight operator Aurizon on May 5 jointly bid for all the shares of **iron ore** and **coal**-focused Aquila Resources, valuing the **company** at about Adollars 1.4 **billion**.

The bid was notable as it is a rare hostile bid from a **Chinese company** and is also **China**'s biggest push into Australian **iron ore** after Citic Pacific's dollars 10 **billion** Sino **Iron** project, which has been bogged down by cost overruns and delays and is widely considered a failure.

Boasteel and Aurizon went straight to Aquila shareholders with the offer, without the blessing of Aquila's executive chairman Tony Poli, who has a 29% **stake** in Aquila. Baosteel is the second-largest shareholder in Aquila with a 19.8% **stake**.

Aquila's shares have risen 42% from the pre-offer price since the bid was announced on May 5. They closed at Adollars 3.52 on May 29, above the Adollars 3.40 offer price, amid speculation that the bidders might yet sweeten the bid further. Aquila's independent board sub-committee is due to make a formal recommendation on the offer.

The bidders drew one step nearer with a nod from Australia's regulators on May 29. In an ASX filing, the bidders said they have received letters from Australia's Foreign Investment Review Board, 'advising that there is no objection to the **acquisition** of Aquila'. However, the move appeared to hit a hurdle in early June after Mineral Resources, an Australian contract **mining company**, took a 12% **stake** in Aquila, sending the shares higher still.

Aquila is developing two major Australian projects - it has 50% stakes in the West Pilbara **iron ore** project and the Eagle Downs hard coking **coal** project, a **coal** mine in the Bowen Basin in Central Queensland. The greenfield projects require substantial capital expenditure and, as **mining** companies globally undergo restructuring, few aside from the deep-pocketed **Chinese** are seen to have the funds needed to develop such projects.

Chinese state-owned Baosteel in May also sent requests for proposals for a one-year bridge loan to fund its **acquisition** of Aquila Resources According to one source familiar with the matter, the steel maker initially asked banks to submit proposals for a Adollars 600 **million**-equivalent US dollar-denominated loan but later cut that to Adollars 300 **million**-equivalent as it was unsure whether banks would be willing to extend the bigger amount.

Bharti Airtel

- dollars 2 **billion** dual-tranche multi-currency bond

- Bank of America Merrill Lynch, Barclays, BNP Paribas, HSBC, JP Morgan, Standard Chartered

India's largest telecom operator raised a dollars 2 **billion** dollar-euro bond on May 12, the country's first from the investment grade corporate space, as election anxiety eased. The offering consists of a dollars 1 **billion** 10-year note and a EUR750 **million** (dollars 1 **billion**) seven-year tranche.

The South Asian nation's exit polls earlier in the month suggested that the country's parliamentary election will deliver a strong mandate for the Bharatiya Janata Party's Narendra Modi, a Hindu nationalist who has promised to create manufacturing jobs and overhaul the country's infrastructure. This helped provide an ideal window for the transaction, a source close to the deal said.

Also, the growing base of US and European investors helped provide strong support for Bharti's transaction, which was both Reg-S and 144A-registered, unlike Tata's notes that came end-April, when it issued a dollars 300 **million** Reg S-only unrated bond, adds the source.

Strong order book

Bharti's **bonds** collectively attracted an order book of more than dollars 13 **billion** from more than 900 accounts, says a source close to the transaction. About 50% of the dollar notes went to US investors, while 44% of the euro tranche went to UK investors, followed by Germany and Austria with 21%.

As a result, the 10-year dollar bond was able to tighten its pricing by 30bp from an initial price guidance of Treasuries plus 300bp. Also, it priced flat to its existing paper expiring 2023 that was trading at a G-spread of 270bp prior to announcement, highlights the source. The coupon is 5.35%.

The euro tranche was also able to tighten pricing by 20bp from an initial price offering of mid-swaps plus 245bp area. The offering's coupon is 3.375%.

In secondary markets, the US dollar and euro tranche have both touched an all-time high to trade at cash prices of 105.5 and 101.67 on May 29 up from 101.89 and 100.58 respectively shortly after they priced, according to Bloomberg data.

China CNR

- dollars 1.3 **billion** IPO

- CICC, Macquarie and UBS

China CNR Corp raised dollars 1.3 **billion** in a **Hong Kong** initial public offering in May, which ranks as Asia's second largest this year behind **Hong Kong** Electric's dollars 3.1 flotation mid-January.

Some 1.82 **billion** shares priced at HKdollars 5.17 each. Although shares priced at the lower end of the initial HKdollars 5 to HKdollars 6.20 range, this deal may be viewed as a success story, particularly in the current environment.

Pork producer WH Group yanked its high anticipated dollars 1.9 **billion** deal early last month after the issuer refused to accept pricing at the bottom end of its range. Although the deal was covered early in the bookbuild, the demand came in at the bottom end of the range, reflecting investor concerns over punchy valuations and the lack of synergy between WH Group's **Chinese** business and its recently acquired US business, Smithfield's.

This coupled with poor aftermarket performance from a number of other Asian IPOs has made investors wary and kept many on the sidelines.

The tides could be turning. **China** CNR may have priced its shares towards the bottom end of the range. But unlike WH Group's executives, who did not take syndicate advice and drop the initial price range - a decision which ultimately led to the deal being shelved - the train manufacturer appeared to have listened to its syndicate team, and brought to market a deal that was forecast to trade up once it listed.

Some 150 investors participated in the transaction, with the institutional book oversubscribed by roughly three times. The deal also had three cornerstone investors - Jinxi Axie, a CNR Corp supplier, which pledged dollars 30 **million**; and two state-owned enterprises, Dongfeng Motor and the **Hong Kong** subsidiary of **China** National Machinery Industry Corp, which put up dollars 40 **million** and dollars 30 **million** respectively.

After dropping 2% in the first day of trading, **China** CNR's shares recovered and have since levelled off recently, now hovering around HKdollars 5.17.

While not spectacular, it's a vast improvement to a number of other Asian offerings which have suffered dismal aftermarket performance since floating their shares.

Japan Display is down 34% since raising dollars 3.1 **billion** in a Tokyo-listing in March, while Harbin Bank shares have declined 6% since its March offering in **Hong Kong**.

CO citic : CITIC Group | cnsafe : China State Administration of Foreign Exchange | qtinv : Qatar Investment Authority | skfdev : CITIC Pacific Limited

IN i81502 : Trusts/Funds/Financial Vehicles | i8396 : Diversified Holding Companies | ibcs : Business/Consumer Services | ifinal : Financial Services | iinv : Investing/Securities

NS c1711 : Initial Public Offerings | c02 : Corporate Changes | c14 : Stock Listings | c17 : Funding/Capital | c171 : Share Capital | cactio : Corporate Actions | ccat : Corporate/Industrial News | ncat : Content Types | nfact : Factiva Filters | nfcpin : FC&E Industry News Filter

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