

Bondholders oppose Asia Aluminum buy-back plan

Bloomberg

Asia Aluminum Holdings bondholders have formed a group to oppose a buy-back proposal that may test the rights of foreign investors in Chinese high-yield bonds.

Asia Aluminum on February 13 offered to pay as much as 27.5 US cents on the US dollar for its 8 per cent dollar notes due 2011 while parent AA Investments offered 13.5 US cents for so-called pay-in-kind notes. Chairman Kwong Wui-chun wrote to investors urging them to accept the plan, saying the company risked bankruptcy if it was not restructured.

"The group believes the company's offer is low. We would encourage other holders to reject the offer and join the group to negotiate a fairer outcome," said David North, the head of asset allocation at Legal & General Investment Management. "It's a litmus test for negotiations for offshore investors into Chinese debt markets."

Asia's high-yield corporate bond markets have dried up since 2007 as the credit crisis triggered by subprime mortgage defaults in the United States curbed appetite for all but the safest debt. The cost of borrowing dollars is rising as the global recession deepens and investors worry about counterparty default risk, the benchmark London interbank offered rate shows.

High-yield, or junk, debt is rated below Baa3 by Moody's Investors Service and lower than BBB-minus by Standard & Poor's.

Asia Aluminum, founded by Mr Kwong in 1992, makes aluminium on the mainland for construction, machinery, drinks cans and vehicles.

Mr Kwong on February 27 offered to give his 97 per cent holding in AA Investments to bondholders if they agreed to the "crucial" restructuring

proposal that would enable the company to secure mainland bank loans.

"Poor Chinese offshore bond documentation will continue to result in a deterioration of bondholders' relative position versus other lenders," Fitch Ratings said in a report last week. Weak governance standards at privately held mainland companies often meant decisions were taken "primarily for the benefit of the majority shareholder", it said.

The company said in a March 4 filing with the Singapore stock exchange that it might scrap the buy-back tender if not enough offers were received by the "early consent date" of 5pm in New York on March 10.

In question

The amount Asia Aluminum is offering to pay on the dollar for its bonds, in US\$

\$0.275

The bondholder "group represents the majority of the notes", Mr North said.

Sales of Asia Aluminum's assets in case of bankruptcy would yield investors a maximum 16.9 US cents on the dollar and a minimum of about 4 US cents, according to a report by Evolution Watterson Securities which was distributed by Asia Aluminum last week.

"A broader issue for the market is the potential damage that such buy-back transactions could do to investor appetite," Fitch said.

"The future healthy development of the Asian, and specifically the Chinese, high-yield market is dependent on investors becoming comfortable with the risks they are asked to take."

Consumer confidence dips in five major cities



Consumers in Beijing, Shanghai, Chengdu, Shenyang and Guangzhou are cutting back on spending. Photo: Bloomberg

Will Clem in Shanghai

Consumer confidence in five major mainland cities fell last month as shoppers became aware of the full impact of the global financial crisis on the economy.

"Nervous" consumers in Beijing, Shanghai, Chengdu, Shenyang and Guangzhou are cutting back on their household and entertainment budgets following the Lunar New Year, according to a tracking study released yesterday.

Market research consultancy DDMA found 45 per cent of respondents in the five cities had already cut back on spending, an increase of seven percentage points on a similar study conducted in January.

A further 15 per cent had not reduced their spending but were planning to cut back, bringing the potential proportion of buying-wary consumers to 60 per cent.

DDMA director Sam Mulligan said the data showed mainland consumers were not panicking yet, but the economy was having a strong impact on their spending patterns. "They are nervous, as opposed to anything else, which is making them cut back on their spending."

People were beginning to worry about their jobs after hearing about friends who had been laid off.

"They know there is trouble on the way or in progress at this point in time," Mr Mulligan said. "It's not just far away, it is nearer to their own lives. It is now more tangible, something they can understand."

The survey polled 602 middle-level to high-end consumers in the five



cities. It was the first monthly tracking study following a benchmark study that spoke to 2,500 consumers in the same cities in January.

One in five respondents said their annual bonus had been cancelled, and 35 per cent said they had spent less over the Lunar New Year than usual due to the economy.

Job security was a key concern, with 26 per cent saying they were worried about being made redundant, up 5 percentage points on January. One in eight had already lost their job, a statistic described as "astounding".

However, consumers were more positive about the longer-term economic situation, with 43 per cent believing things would get better within six months.

Mr Mulligan said people were generally confident that the government was "going to sort everything out", but they remained cautious until they saw concrete evidence of the economy improving. There was also worry that the stimulus package "can only manage things inside China".

"The high-level consumers tend to work in finance or trading or with foreign companies and these are the companies that are under a lot more threat than the Chinese equivalent companies," he said. "It doesn't matter what stimulus package you have, it is not going to create demand for those companies."

Shougang lines up US\$1b expansion of Peru iron ore mine

Eric Ng in Beijing

Shougang Group, the mainland's eighth-largest steel producer, plans to plough in up to US\$1 billion to expand the output capacity of its iron ore mine in Peru to help meet growing demand for the raw material, according to chairman Zhu Jimin.

The company was eyeing expansion through new plant construction and acquisitions, including taking control of the Guizhou autonomous region's Guiyang Special Steel and Shanxi province's Changzhi Iron and

Steel, Mr Zhu told reporters on the sidelines of the National People's Congress.

"We plan to increase the output capacity of our mine in Peru, but we need to ensure we have sufficient natural gas and power to support it," he said. "Once this is resolved, we expect to spend US\$700 million to US\$1 billion to raise its capacity."

He did not indicate the scale of expansion of the mine whose existing capacity is 10 million tonnes a year.

Shougang also owns a stake in Australia's Mount Gibson iron ore

mine. It received approval from the Australian government in December last year to complete the A\$162.5 million stake increase in Mount Gibson, a deal previously rejected by Australian regulators.

Mount Gibson fell into financial difficulties after mainland buyers defaulted on iron ore purchases and Shougang's investment was key to its survival.

Shougang, which has moved the bulk of its production lines out of Beijing into the coastal city of Caofeidian in nearby Hebei province, expects to

complete next month the first phase of its new plant in Caofeidian with an annual capacity of more than 4 million tonnes.

The second phase is scheduled to be completed by the end of next year and will bring the plant's total crude steel capacity to 9.7 million tonnes.

Mr Zhu said Shougang was conducting due diligence to take control of Guiyang Special Steel, which had an annual capacity of less than 1 million tonnes.

He said Shougang was also studying the books of Changzhi Iron and

Steel and might take a controlling stake. Changzhi Iron has an annual capacity of just over 3 million tonnes.

Mr Zhu denied speculation that Shougang might run into trouble with the Changzhi acquisition, as Shanxi's Taiyuan Steel Group, the largest steel producer in the province, was widely believed to be the preferred buyer.

"We would not have made a move on Changzhi without expressed support from the Shanxi government and we have also communicated with Taiyuan Steel on this," he said.

Brokerage accounts surge on market rally

Daniel Ren in Shanghai

The number of brokerage accounts for retail investors to buy A shares on the mainland rose 413,000 last week as the stock market has rebounded so far this year.

As of Friday, a total of 47.88 million brokerage accounts held equities, only 90,000 fewer than the record set in the week to August 8, 2008, when the Beijing Olympics started, according to China Securities Depository and Clearing.

Investors took cues from the strong liquidity on the market recently, believing they could chalk up short-term gains, analysts said.

The Shanghai Composite Index advanced 5.3 per cent last week on speculation that Beijing was preparing fresh stimulus packages. It tumbled 2.5 per cent so far this week due to worries over weak economic data. Still, the benchmark gauge has gained 17.5 per cent from last year's close.

"The influx of fresh capital was the major driving force for the rally year to date," said Guotai Junan Securities analyst Zhai Peng. "The market is expected to keep fluctuating in the coming two weeks as speculative capital comes and goes."

Profits lift Asia stocks **B6**

On the Shanghai Stock Exchange, daily turnover last month was valued at 132 billion yuan (HK\$150 billion), up 102.5 per cent from January.

Last month, a Shenyin Wanguo Securities research report said 660 billion yuan in companies' current accounts might have been converted into term deposits or used to buy stocks. Analysts pointed out that part of the banking loans extended to companies for industrial uses might have been misused for stocks.

As of Friday, there were 105.2 million brokerage accounts on the Shanghai and Shenzhen stock exchanges.

Analysts predicted the Shanghai Composite Index, which closed at 2,139.03 points yesterday, would swing between 2,000 and 2,300 points in the coming weeks.

But the long-term outlook remained dim, they added.

This year, a total of 680 billion formerly non-tradable state-owned shares will flood the market as their lock-up period expires, according to Shanghai-based data provider Wind Information. On the Shanghai exchange, 504.5 billion shares were tradable last month.

China Mobile may pay lower fees

Frederick Yeung

The mainland may introduce a regulatory measure that charges China Mobile a lower fee than its rivals when using each other's networks in order to develop the homegrown technology, according to China Unicom (Hong Kong) chairman Chang Xiaobing.

"We could face competitive pressure this year, especially on the usage fees side," Mr Chang told a staff meeting in Beijing on Tuesday.

"In order to support the TD-SCDMA development, the government is likely to adopt an asymmetrical interconnection charge."

Under the so-called asymmetrical interconnection charge, China Telecom Corp and Unicom will need to pay more than China Mobile, which runs the 3G TD-SCDMA services, to access an external network.

That will make it cheaper to operate the TD-SCDMA network and could allow China Mobile to afford offering lower tariffs.

A Goldman Sachs research in January said the operators and the government were still in discussions about the asymmetrical interconnection arrangement. "We maintain that asymmetrical mobile-to-mobile interconnection charge is likely to apply only to 2G [in the form of a higher fee for China Mobile] and not to 3G, another way to motivate China Mobile to accelerate TD-SCDMA migration from GSM," it said.

Unicom is expected to launch the WCDMA 3G service in May, while China Telecom plans to roll out its CDMA2000 service in major cities this year.

Mr Chang also indicated that Unicom could face several obstacles this year such as poor profitability. The firm would speed up the development of 3G network and plug the fall in fixed-line revenue this year.

Meanwhile, Unicom has reportedly sent a team to the United States to negotiate with Apple on bringing the iPhone 3G to the mainland.

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Sun Hung Kai Properties Limited
(Incorporated in Hong Kong with limited liability)
(Stock Code: 16)

CLOSURE OF REGISTER OF MEMBERS

The board of directors (the "Board") of Sun Hung Kai Properties Limited (the "Company") is pleased to announce that the Board has declared an interim dividend of HK\$0.80 per share for the six months ended 31 December 2008 payable in cash on Monday, 6 April 2009 to shareholders whose names appear on the Register of Members of the Company on Wednesday, 1 April 2009.

The Register of Members of the Company will be closed from Thursday, 26 March 2009 to Wednesday, 1 April 2009 (both days inclusive). In order to establish entitlements to the proposed interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited, Rooms 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 25 March 2009.

By order of the Board
YUNG Sheung-tat, Sandy
Company Secretary

Hong Kong, 11 March 2009

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As at the date hereof, the Board of the Company comprises seven Executive Directors, being KWOK Ping-keung, Thomas, KWOK Ping-jaan, Raymond, CHAN Kai-ying, CHAN Kai-yeen, Thomas, KWONG Chas, WONG Di-kan, Michael and WONG Kai-wing, Mike; seven Non-Executive Directors, being KWONG Siu-ling, LEE Shun-are, KWOK Ping-sheng, Walter, WONG Pui-shing (WONG Ka-tin, Jackson being his Alternate Director), LI Ka-cheung, Eric, KWAN Cheuk-tin, William and LO Chi-chun, Clonaz; and three Independent Non-Executive Directors, being YIP Dicky Peter, WONG Tai-chin, Richard and CHEUNG Kin-ying, Martin.

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