

## Money

# ABC float raises buzz in market circuit

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ABC Vice-Chairman Zhang Yun (left), Chairman and Executive Director Xiang Junbo (center) and Executive Director Yang Kun at a photo call in Hong Kong on Thursday. [Agencies]

### Lender likely to raise HK\$80.8b from share sales in Hong Kong

BEIJING - Agricultural Bank of China (ABC) is likely to raise HK\$80.8 billion from Hong Kong and nearly 61.4 billion yuan from Shanghai through the dual listing of shares next month, sources close to the matter said on Thursday.

The bank has set a proposed price for the Hong Kong float between HK\$2.88 and HK\$3.48 per share. The indicative float sizes have been calculated based on the middle price of the proposed range in Hong Kong, said sources.

Contrary to earlier indications, the lender is now likely to price the Shanghai leg on a par with Hong Kong at between 2.5 yuan and 3.02 yuan per share, the sources said.

Industry experts are of the view that the current pricing is more in line with what the market expected.

Analysts, however, feel that the bank's shares may fall below the offer price on listing due to its present low valuation and dull market trends.

There were concerns that the huge bank lending of last year will lead to a surge in delinquent loans this year and the market barometer dropped by 22 percent this year.

Looking at the indicative range of the Hong Kong float, the bank, with total assets of \$1.4 trillion, has a price-to-book value of 1.55 to 1.79, before factoring in the overallotment.

It also puts ABC on a par with Bank of China, the country's third-largest lender by assets, which has a price-to-book ratio of around 1.67 in the A share market.

Profitability is another area where ABC has to catch up. ABC made a profit of 65 billion yuan in 2009, while BOC had a net profit of 80.8 billion yuan.

ABC, the country's largest lender in terms of retail networks, plans to sell up to 22.24 billion A-

shares in Shanghai and up to 25.41 billion shares in Hong Kong, accounting for 15 percent of its enlarged capital base, excluding an over-allotment option.

The mega float could possibly be the world's largest ever, surpassing a previous record of \$21.9 billion set by Industrial & Commercial Bank of China (ICBC) in 2006.

However, analysts said ABC may have to rely on the overallotment option to surpass ICBC figures, based on the current pricing.

If the overallotment options are included, it will issue 56.3 billion shares, accounting for nearly 17 percent of its total shares.

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The company and its underwriters are marketing the offer to institutional investors, having sold \$5.45 billion of the Hong Kong part of the IPO to corporate investors.

The corporate investors are expected to account for at least 48 percent of the Hong Kong sale before overallotment, much more than any other lender's public offerings.

The Qatar Investment Authority has agreed to invest \$2.8 billion, while the Kuwait Investment Authority will buy \$800 million worth of H shares.

Other investors include Netherlands-based Rabobank, Standard Chartered, Singapore's state sovereign fund Temasek, a couple of Hong Kong tycoons and Australian media and investment company Seven Group Holdings.

The lender will start accepting subscriptions for the float on July 1 and announce the final issue price on July 8. The A shares are expected to debut on July 15 in Shanghai, while the H shares may debut a day later on July 16 in Hong Kong.