



YANGZIJIANG SHIPBLDG HLDGS LTD

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by Arthur Poon

Yangzijiang contracts to be issued on stock's trading debut

THE trading debut on Wednesday of Singapore's largest initial public offer (IPO) in months, China-based Yangzijiang Shipbuilding, will be doubly exciting for investors.

Investor interest is expected to be so strong that several warrant issuers will offer warrants on the counter on its first day of trading.

This is the first time in recent years that warrants are being issued on an IPO stock in Singapore, said the head of warrant sales at Macquarie Bank, Mr Barnaby Matthews, although it has been done several times in Hong Kong.

On Wednesday, BNP Paribas and Macquarie will each issue two call warrants on Yangzijiang; Rabobank will issue one. The exercise or 'strike' prices range between \$1.20 and \$1.68. A call warrant gives the holder the right to buy an underlying asset at a pre-determined price over a set timeframe.

The Singapore Exchange has allowed issuers to list warrants on Yangzijiang's first trading day, and three issuers have submitted applications to do so, said BNP Paribas' head of retail listed products sales for Singapore and Hong Kong, Mr Simon Yung.

The challenge in listing warrants on a debut stock lies in trying to forecast where the price is heading and to set the strike price accordingly, and in managing the high intra-day volatility seen on the first trading day, said Mr Matthews.

Yangzijiang, one of China's largest shipbuilders, raised net proceeds of \$602 million. Its offer of nearly 993.2 million shares at 95 cents each - 19.9 million for public offer in Singapore and 973.3 million for a global placement - was subscribed 39 times.

Investors get to participate in the shipping industry and leverage on the gearing effect with 'less investment capital for an equivalent upside', said Mr Yung.

Over the past week, more than \$24.1 million in call warrants and \$77,800 in put warrants for shipping-related counters such as Keppel Corp, Cosco Corp and SembCorp Marine were traded - 7.37 per cent of volume.

Last week's average daily warrant turnover was \$66 million, down from \$72 million. Average daily volume was 269 million units, down from 282 million units.