Smithfield's China Bidders Plan HK IPO After Deal

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HONG KONG - China's Shuanghui International Holdings, which has agreed to buy US pork producer Smithfield Foods Inc for $4.7 billion, plans to list the combined company in Hong Kong after completing the takeover, people with knowledge of the matter told Reuters.

A Hong Kong IPO, valued at around $4 billion, would allow the merged group to trade in a market that would place a higher valuation on the stock than the US or other exchanges, the sources said.

Hong Kong is a far bigger and more international stock market than Shenzhen, the Chinese exchange where Shuanghui's main publicly traded subsidiary is listed.

A Hong Kong listing would also offer an ideal exit route for Shuanghui's private equity investors, which includes Goldman Sachs and New Horizons, when they decide to sell their holdings, according to the people familiar with the matter.

Shuanghui could also use the proceeds to pay down some of the debt, people familiar said.

Bank of China and Morgan Stanley have combined to provide $7 billion of loans to finance Shuanghui International's record deal to buy the US pork producer.

The total value of the Chinese company's record agreement was $7.1 billion, including net debt.

The Smithfield deal has yet to close, the sources cautioned, and plans on what happens after the takeover would only be finalized upon the completion of the deal.

Hong Kong stock exchange rules require one year of ownership before a merged entity can list.

Shuanghui could not immediately be reached for comment.

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