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# *Capital Raising in Asia*



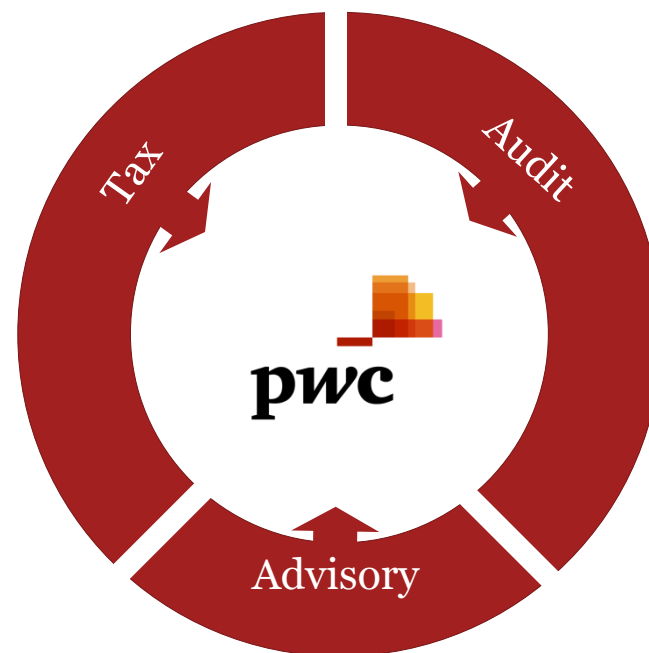
## Introductions

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Tel.: +852 2289 1886



Equity and  
debt advisory

Which  
Market?

IPO Readiness

Governance  
and Controls

Accounting  
Advice

Tax  
structuring

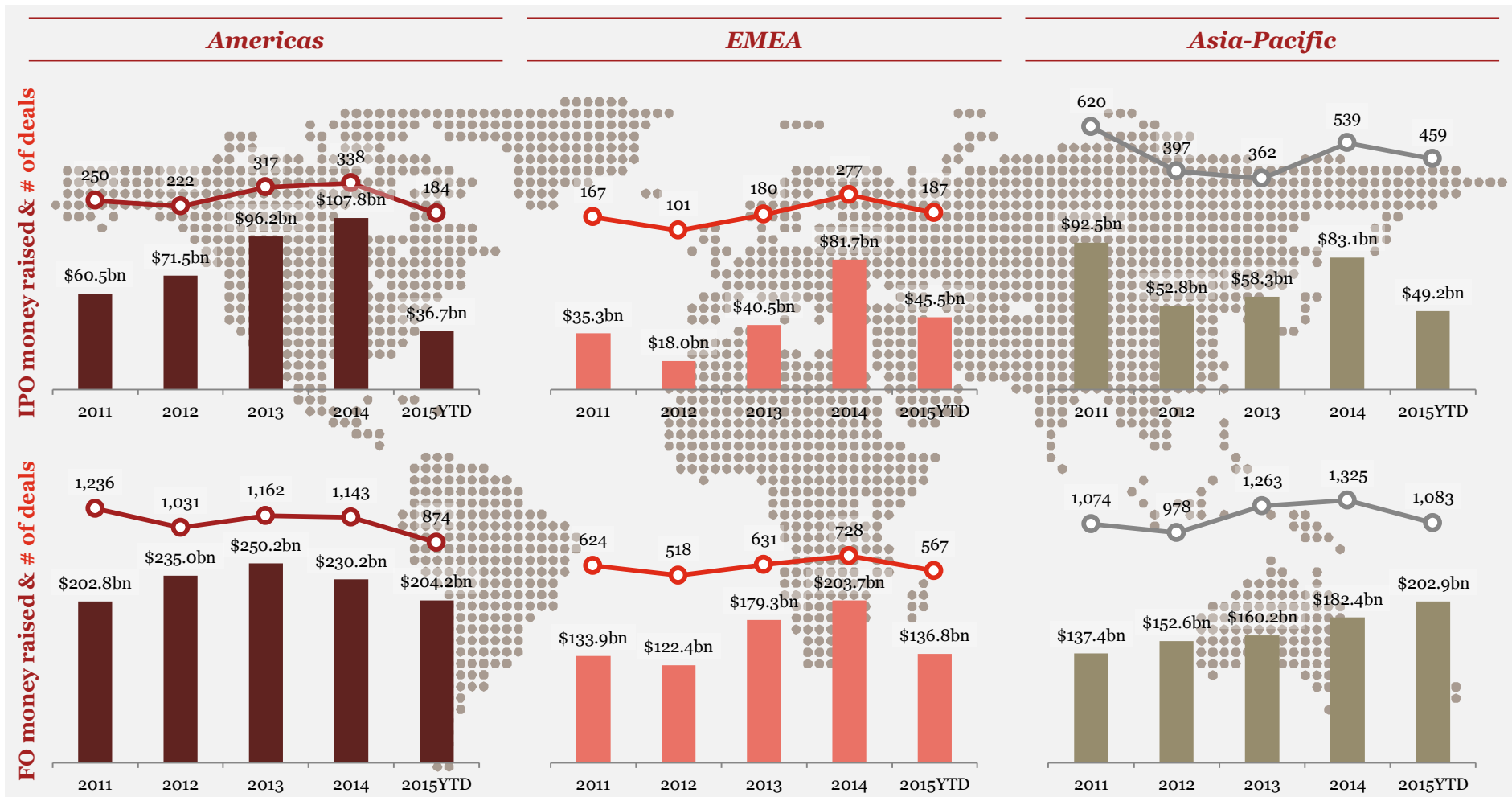
# *Equity markets*



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## IPO and FO activity per region

Asia-Pacific is the leading region 2015YTD in terms of IPO activity, while the Americas dominate FO activity in terms of money raised



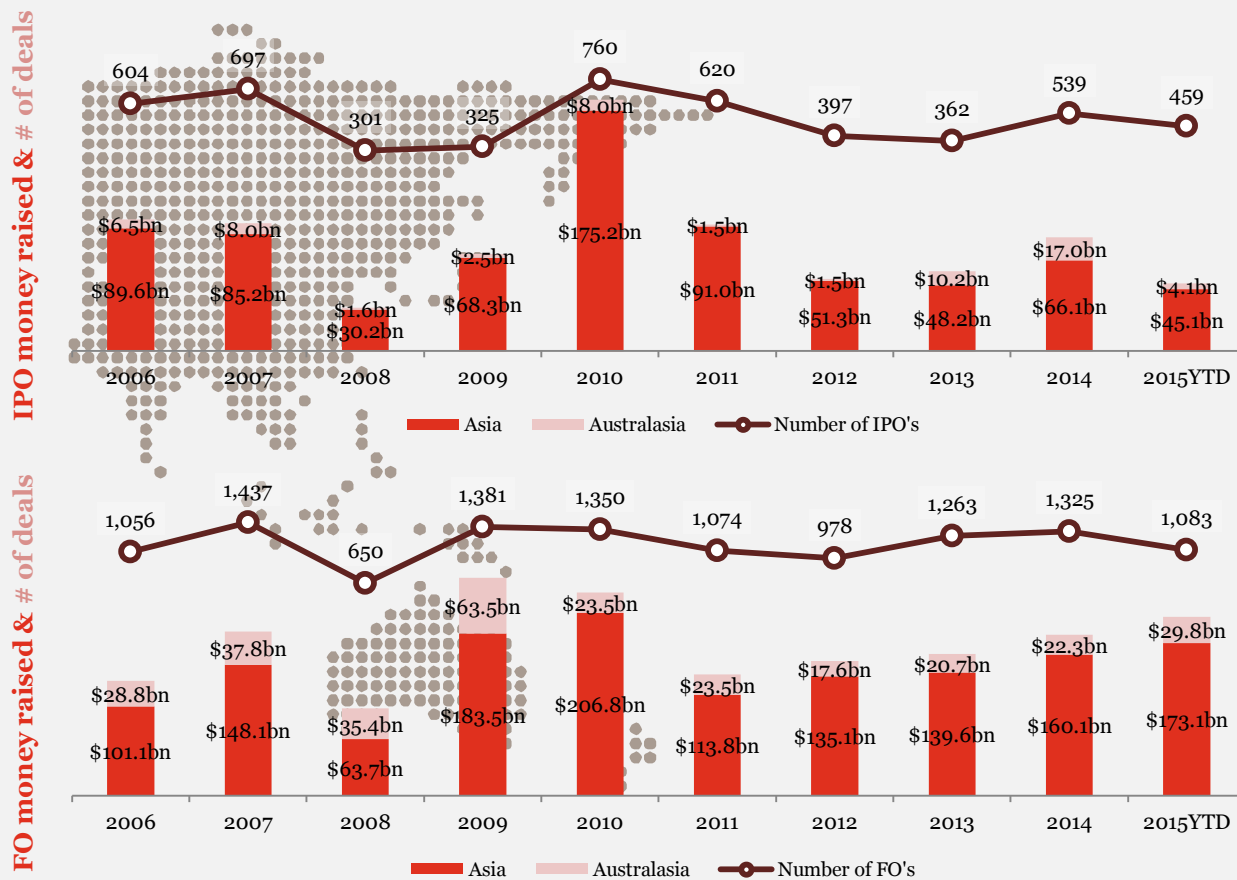
Note: included deals > \$5m, excluding PIPO's and transactions on Over-The-Counter exchanges. If IPOs or FOs take place in two or more regions, the total money raised is attributed to all regions

Source: Dealogic as of 1 October 2015

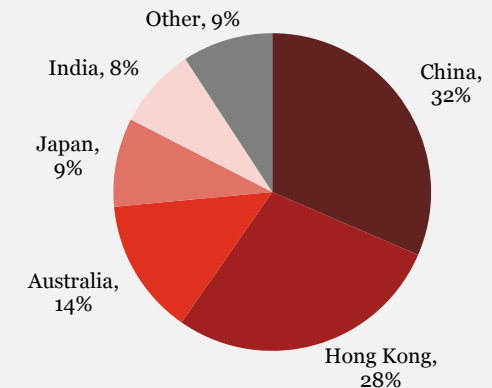
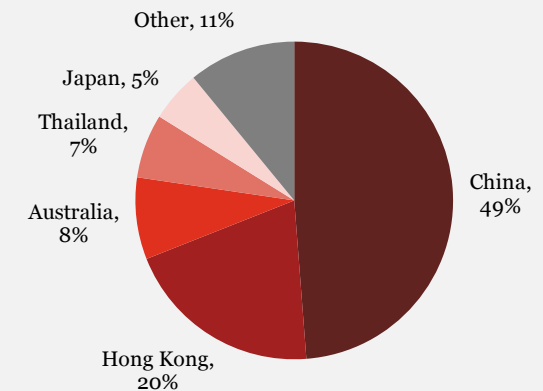
## Money raised via IPOs and FOs in the Asia-Pacific region

IPO activity in the Asia-Pacific region was relatively weak in Q3, with money raised being only €7.0bn as compared to €28.5bn in Q2

Money raised via IPOs and FOs in the Asia-Pacific region (10-year overview)



Top countries 2015YTD



Note: included deals > \$5m, excluding PIPO's and transactions on Over-The-Counter exchanges. If IPOs or FOs take place in both Asia and Australasia, total money raised is attributed to both regions. Top countries have been selected based on money raised in 2015YTD. If IPOs or FOs take place in two or more countries, total money raised is attributed to all countries.

Source: Dealogic as of 1 October 2015

## Leading transactions year-to-date in the Asia-Pacific region

Chinese companies listing on Shanghai Stock Exchange or HKEx dominate IPO league tables with six of the top seven transactions

### Top 10 largest IPOs 2015YTD in the Asia-Pacific region

Pricing date	Issuer name	Issuer country	Sector	Exchange	Filing range	Offer price	Pricing	Money raised	Free float	Secondary shares (%)	Performance		
											1-day	1-month	Current
17-Jun-15	Guotai Junan Securities		Financials	Shanghai SE	N.A.	19.71	Fixed price	\$4.9bn	20.0%	0.0%	44.0%	44.1%	-5.6%
01-Jun-15	China National Nuclear P.		Utilities	Shanghai SE	N.A.	3.39	Fixed price	\$2.2bn	25.0%	0.0%	44.0%	166.1%	167.6%
19-Jun-15	Legend Holdings		Technology	HKEx	39.80 - 43.00	42.98	Top of range	\$2.0bn	15.1%	0.0%	-0.1%	-18.9%	-37.7%
03-Feb-15	Jasmine Br. Int. Gr. Fund		Technology	Thailand SE	10.00 - 10.50	10.00	Bottom of range	\$1.7bn	54.3%	0.0%	-3.0%	-4.5%	5.0%
10-Mar-15	Orient Securities		Financials	Shanghai SE	N.A.	10.03	Fixed price	\$1.6bn	18.9%	0.0%	44.0%	237.6%	63.2%
31-Jul-15	China Railway S. & C.		Industrials	HKEx	6.30 - 8.00	6.30	Bottom of range	\$0.9bn	20.5%	0.0%	0.3%	-6.4%	-1.0%
19-Jun-15	Red Star Macalline Group		Financials	HKEx	11.18 - 13.28	13.28	Top of range	\$0.9bn	15.0%	0.0%	-4.1%	-16.4%	-25.5%
05-Mar-15	HKBN		Technology	HKEx	8.00 - 9.00	9.00	Top of range	\$0.9bn	73.7%	100.0%	0.0%	8.7%	-0.7%
05-Jun-15	3SBio		Health Care	HKEx	8.30 - 9.10	9.10	Top of range	\$0.8bn	28.8%	20.0%	2.8%	2.8%	-13.6%
29-Apr-15	Malakoff Corp		Utilities	Bursa Malaysia	N.A.	1.80	Fixed price	\$0.9bn	31.2%	34.3%	0.0%	0.6%	-10.0%

### Top 10 largest FOs 2015YTD in the Asia-Pacific region

Pricing date	Issuer name	Issuer country	Sector	Exchange	Filing range	Offer price	Deal type	Money raised	Secondary shares (%)	Performance			
										1-day	1-month	Current	
22-May-15	Huatai Securities		Financials	HKEx	20.68 - 24.80	24.80	Fully Marketed	\$5.0bn	0.0%		4.8%	-11.7%	-38.5%
28-May-15	Inn. Mon. Baotou St. Un.		Basic Materials	Shanghai SE	3.61 - 3.61	1.80	Cash Placing	\$4.9bn	0.0%		252.8%	195.6%	97.2%
15-May-15	Haitong Securities		Financials	HKEx	15.62 - 15.62	17.18	Cash Placing	\$4.2bn	0.0%		32.7%	39.7%	-35.0%
31-Mar-15	GF Securities		Financials	HKEx	15.65 - 18.85	18.85	Fully Marketed	\$4.1bn	0.0%		34.8%	27.3%	-25.7%
30-Jan-15	Coal India		Basic Materials	BSE; NSE	358.00 - 358.00	357.13	Accelerated Bookbuild	\$3.7bn	100.0%		-0.6%	10.7%	-8.6%
30-Mar-15	Caltex Australia		Oil & Gas	ASX	34.20 - 34.20	35.00	Bought Deal	\$3.7bn	100.0%		-1.6%	2.1%	-10.6%
15-Jun-15	CITIC Securities		Financials	HKEx	27.75 - 27.75	24.60	Cash Placing	\$3.5bn	0.0%		19.1%	-9.2%	-43.9%
21-Apr-15	Sun Pharmaceutical Ind.		Health Care	BSE; NSE	930.00 - 1,043.80	930.00	Accelerated Bookbuild	\$3.2bn	100.0%		4.1%	5.5%	-6.6%
27-Apr-15	China Galaxy Securities		Financials	HKEx	11.99 - 11.99	11.99	Cash Placing	\$3.1bn	0.0%		2.9%	14.1%	-54.6%
12-May-15	Industrial Bank Co Ltd		Financials	Shanghai SE	17.68 - 17.68	17.68	Accelerated Bookbuild	\$2.8bn	100.0%		3.9%	13.4%	-17.7%

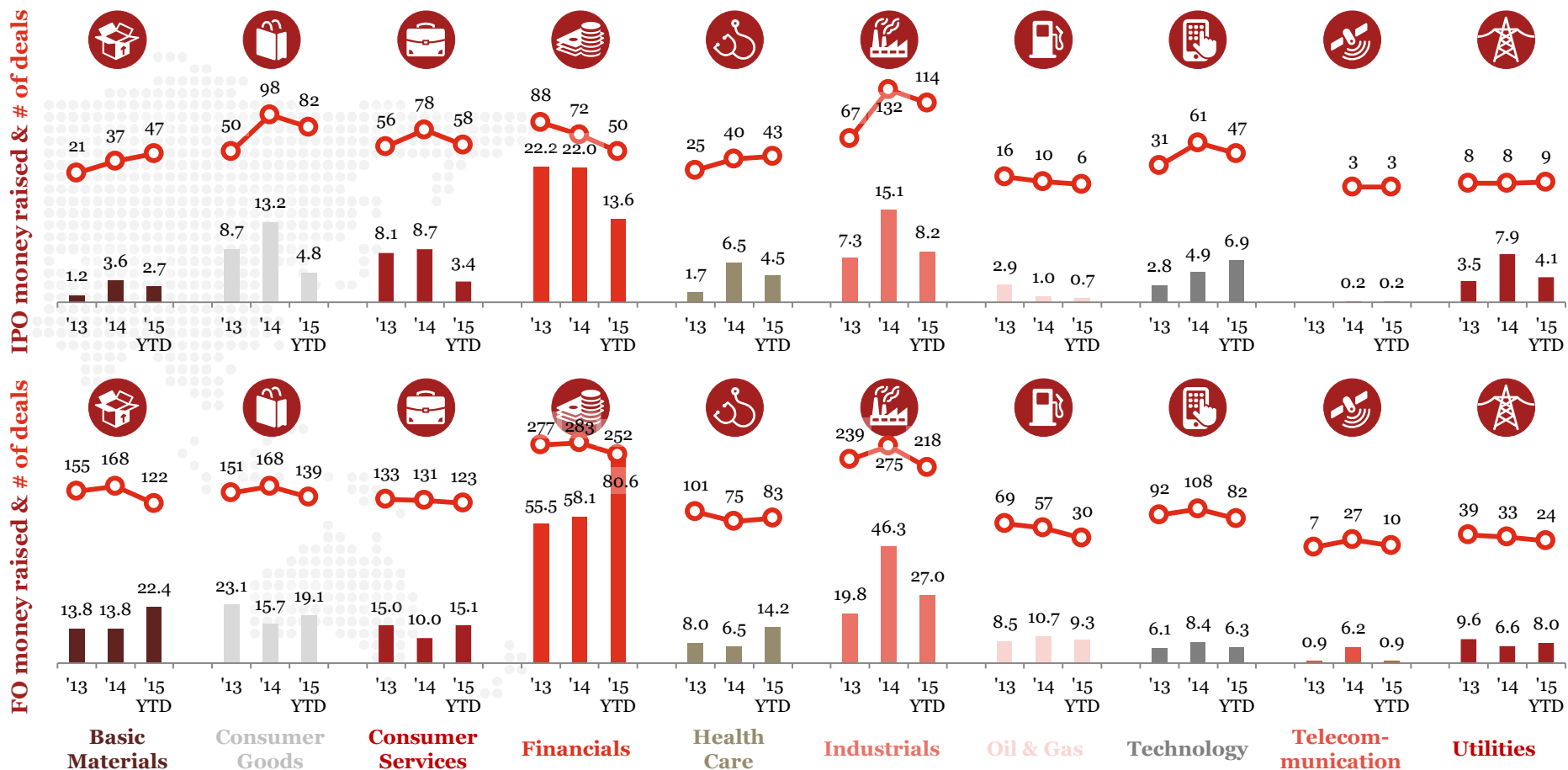
Note: included deals > \$5m, excluding PIPO's and transactions on Over-The-Counter exchanges. Country indicates the company's Country of domicile. Sector classification is based on the Industry Classification Benchmark (ICB).

Source: Dealogic as of 1 October 2015

# IPO and FO activity per sector in the Asia-Pacific region

Multi-billion FOs spur money raised by Financials; Technology companies display increasing activity in terms of money raised since 2013

Money raised and number of IPOs and FOs per sector 2013 – 2015 YTD in the Asia-Pacific region



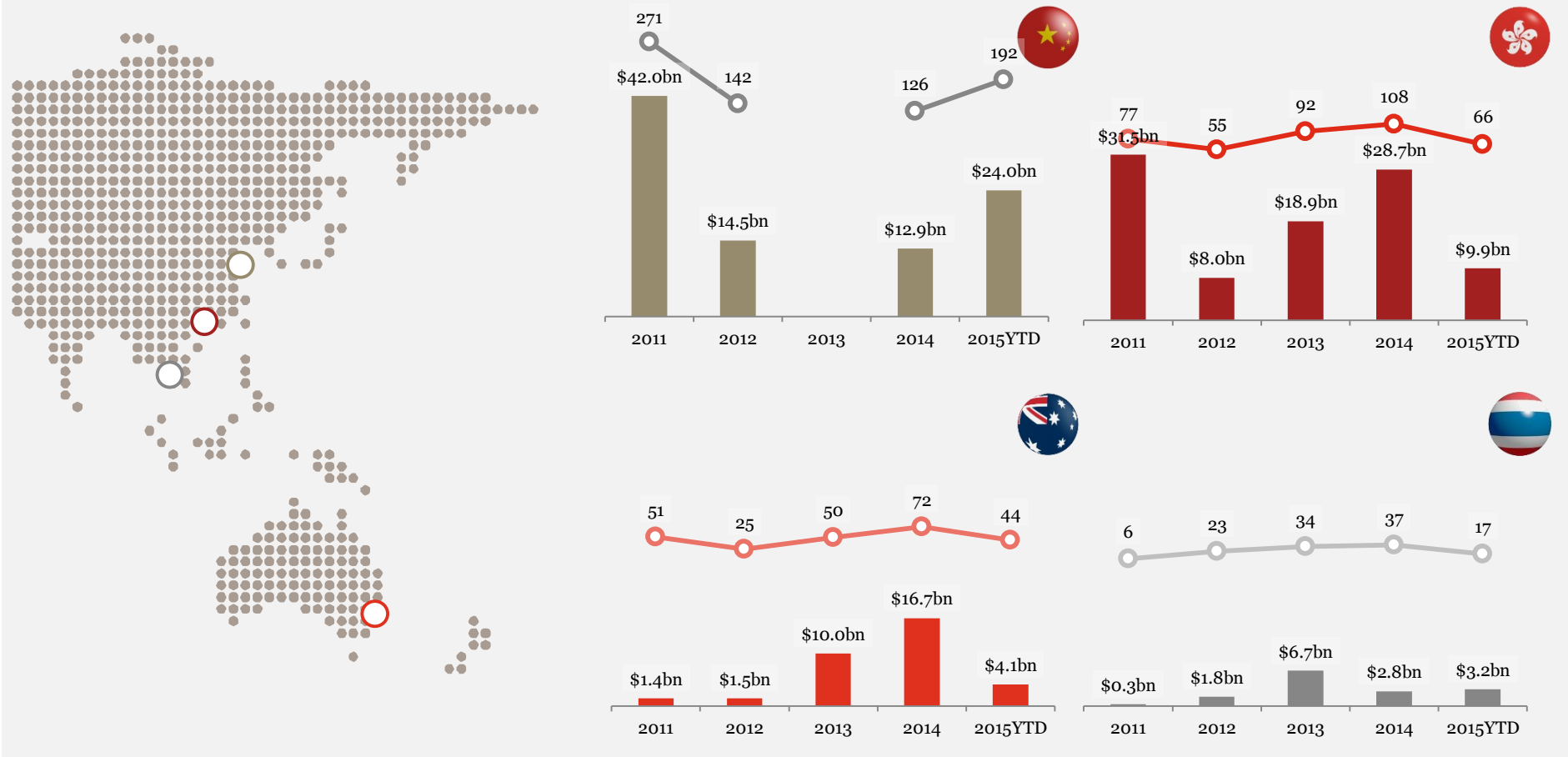
Note: included deals > \$5m, excluding PIPO's and transactions on Over-The-Counter exchanges. Sector classification is based on the Industry Classification Benchmark (ICB). Financials include Closed-End Funds and Real Estate.

Source: Dealogic, Bloomberg as of 1 October 2015

## Top countries in terms of IPO activity in the Asia-Pacific region

After China was set for a record year in terms of IPO activity, the government halted IPO activity in order to stabilise the falling equity market...

IPO activity of top countries in the Asia-Pacific region 2011 – 2015YTD



Note: included deals > \$5m, excluding PIPO's and transactions on Over-The-Counter exchanges. If IPOs or FOs take place in two or more countries, the total money raised and number of IPOs is attributed to all countries. Top countries have been selected based on the money raised in 2015YTD.

Source: Dealogic as of 1 October 2015

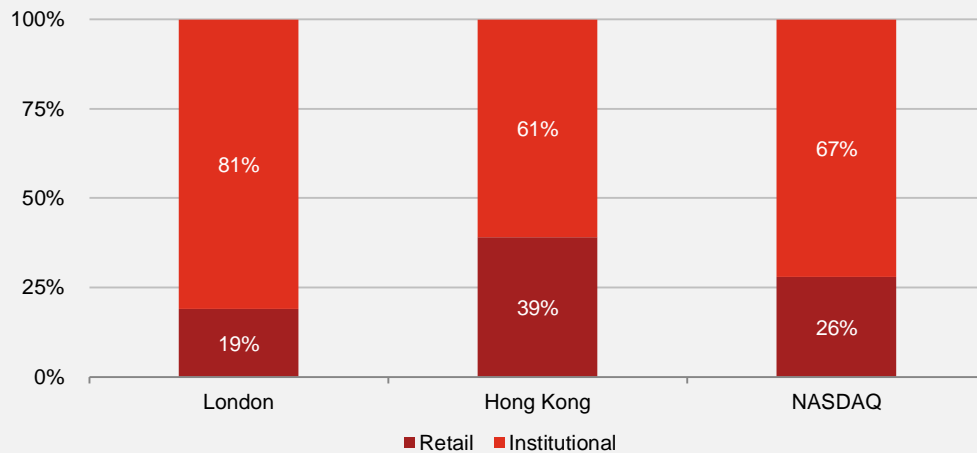


## Asian market structures differ from those in the West

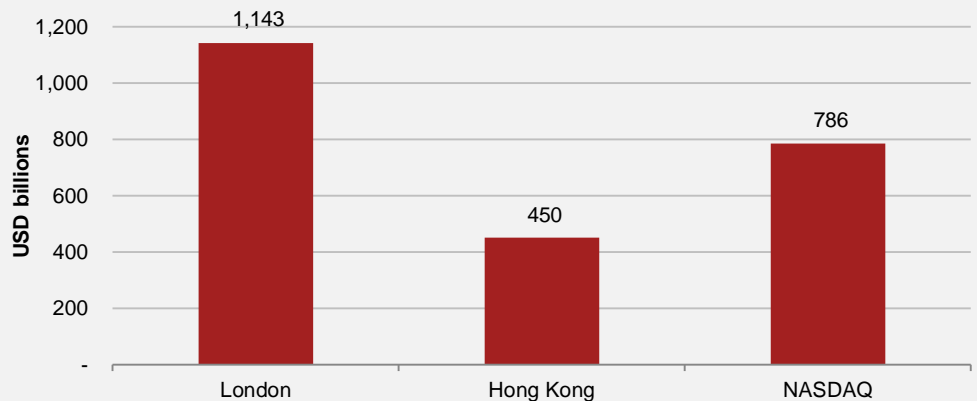
Hong Kong and China markets have a high degree of retail participation, Hong Kong in particular has a diverse equity pool

### Investor demand and asset allocation

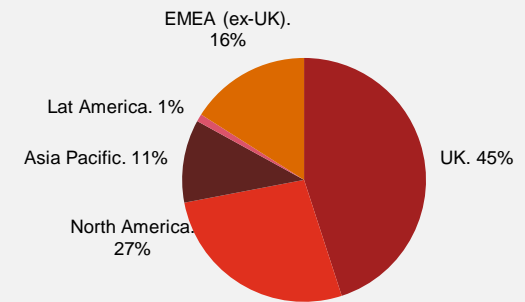
#### Investors by type



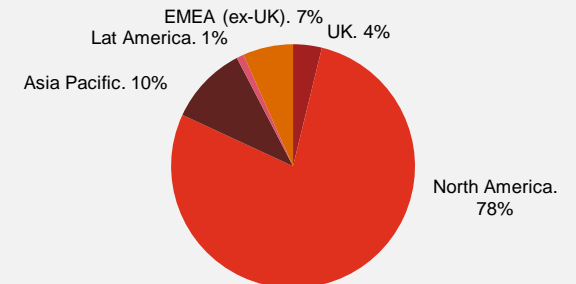
#### Equity AUM held in international portfolios



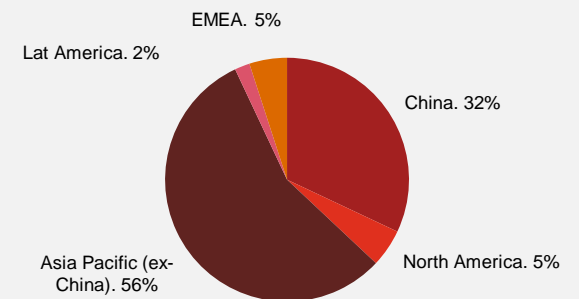
#### London



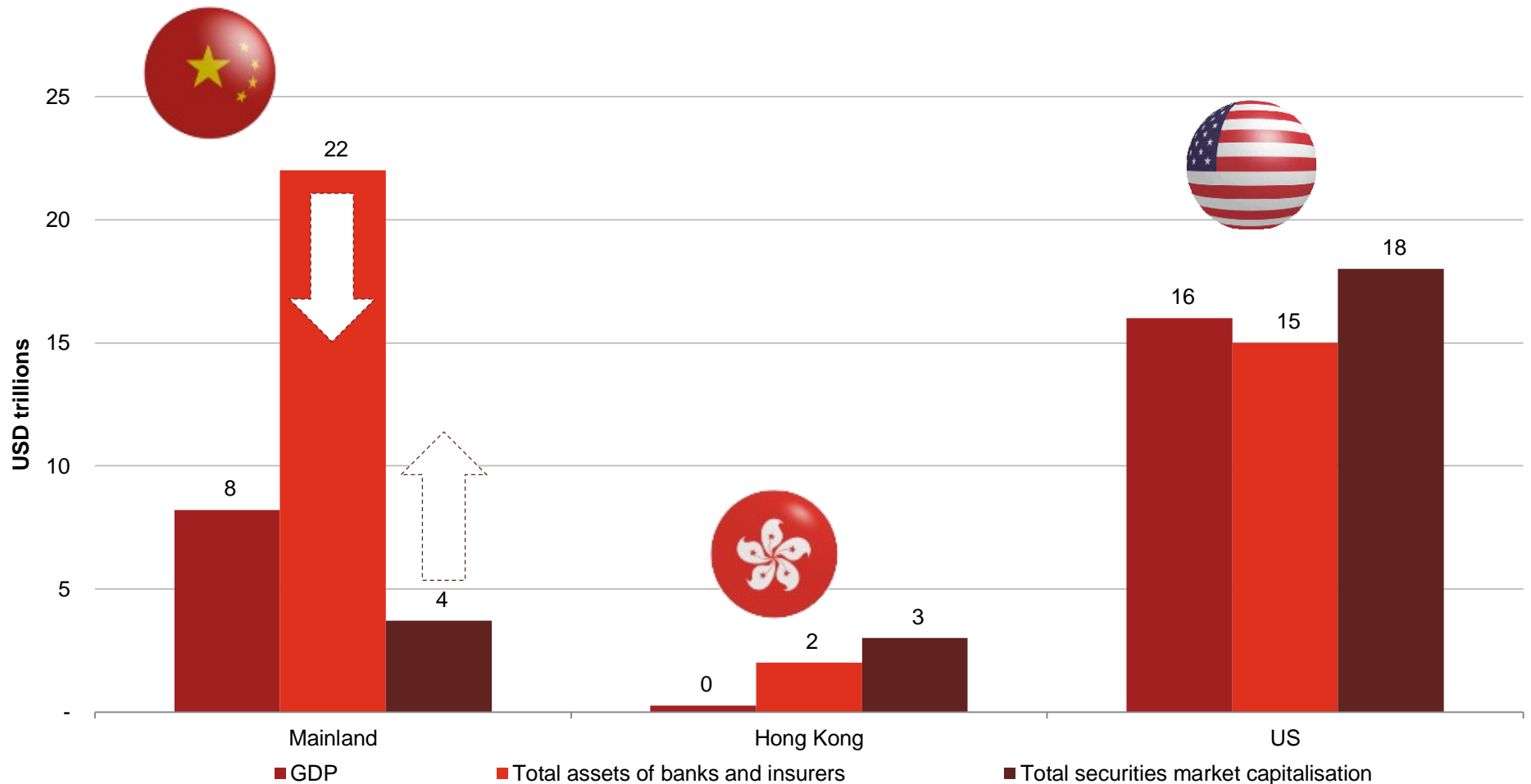
#### US



#### Hong Kong

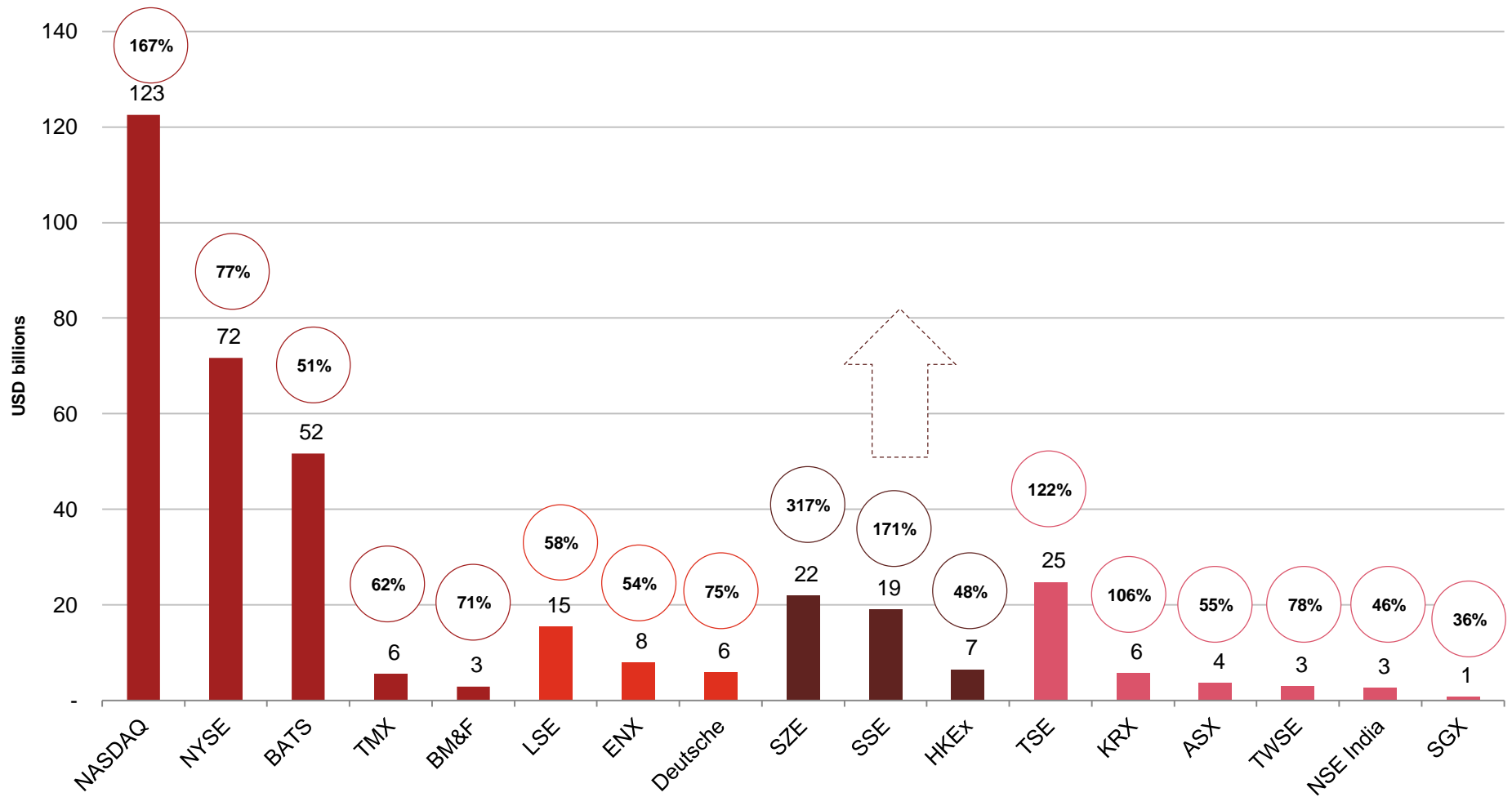


***China's optimal assets reallocation has major room to expand to the level of market capitalisation***  
*Expect continued growth in equities once reforms in place to drive Asia-Pacific markets*

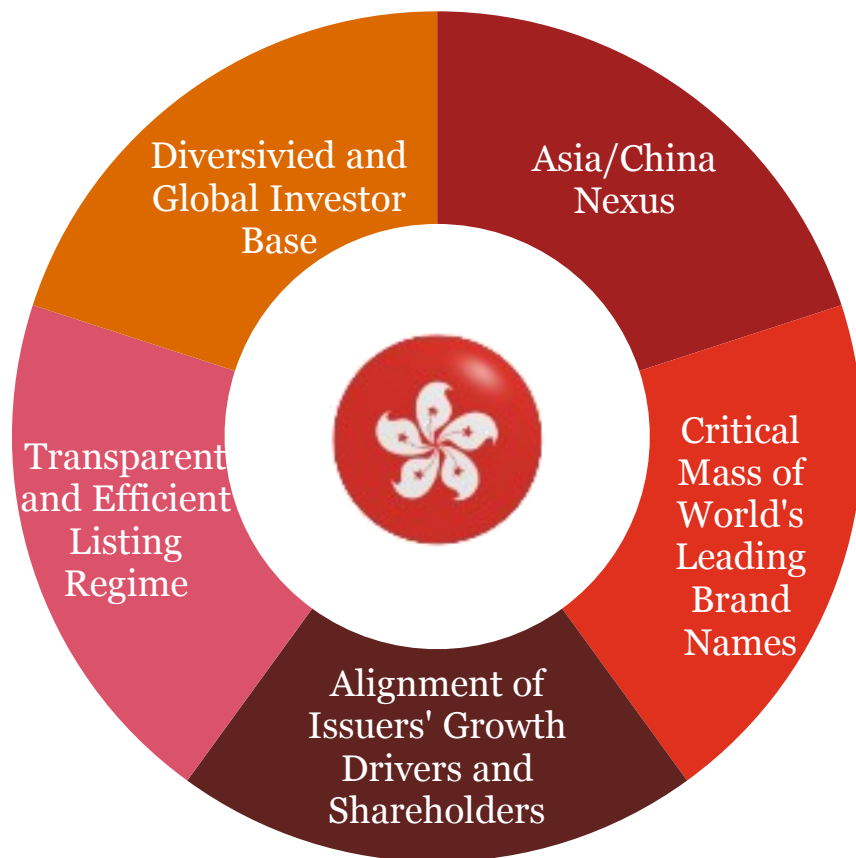


**Asia-Pacific average daily turnover lags the US markets, but has potential to substantially increase**

*Hong Kong in particular should benefit from the opening of China's capital account*



***Hong Kong likely to continue to attract international companies wishing to raise equity capital through secondary offerings, or spin offs of China businesses***



# *Debt markets*



# 2

## Debt issue methods

In recent years, there has been a high degree of convergence in the requirements of listing venues and market expectations for bonds which are not listed, and therefore do not need to comply with any Stock Exchange listing rules.

Larger issues benefit from increased liquidity from bond funds and funds of funds.

Disclosure previously determined by reference to listing requirements but now largely informed by international market practice and standards.

The other key factor to consider when issuing debt is selecting the appropriate currency for issue as this will impact issue location, demand and pricing.

	Private <sup>1</sup>	Public <sup>2</sup>
Advantages	<ul style="list-style-type: none"><li>• Rapid issue time</li><li>• Lower issue costs for small offerings</li><li>• Easier to renegotiate terms</li></ul>	<ul style="list-style-type: none"><li>• Larger issue size</li><li>• Liquid secondary market</li></ul>
Disadvantages	<ul style="list-style-type: none"><li>• Limited liquidity</li><li>• May contain restrictive covenants</li><li>• Higher coupon</li></ul>	<ul style="list-style-type: none"><li>• Higher issue costs</li><li>• Additional compliance</li></ul>

Lower issue costs vs higher coupon?

<sup>1</sup> Private bonds are traded over the counter (OTC); <sup>2</sup> Public bonds are listed on a stock exchange

## *Debt in Hong Kong*



- The bond market in Hong Kong has for some time been a significant market place for issuers and investors, in both domestic and foreign currencies. The range of product offerings, the open access for issuers and investors, both domestic and international, and the increasing significance of offshore RMB bond issuances make Hong Kong one of the most frequented international bond markets in Asia.
- International investors are free to invest in debt instruments issued in Hong Kong. There are no restrictions on foreign borrowers tapping the domestic debt market to finance their business.
- The majority of debt issued in Hong Kong is issued privately to institutional investors, however, marketing is essential for non-household names as Asian investors do not look at European or US credits on a regular basis
- The HKEx sets out a simple “threshold” disclosure standard, namely that the listing document must contain such information that a professional investor would customarily expect it to contain and these standards are generally followed, even for unlisted debt.

## *Debt in Singapore*



- Singapore has one of the most developed bond markets in Asia of which about two-thirds is in SGD and the rest mostly in US dollars.
- The Singapore bond market is fully accessible to all issuers and investors globally. There are no capital controls, hedging restrictions, or withholding taxes. As a result, the market's profile is international in nature, with foreign entities accounting for more than a quarter of bond issuance.
- All bonds issued in Singapore must be listed on the SGX. However, the disclosure obligations for bonds issued to professional investors are relatively standard and the listing process is rapid.

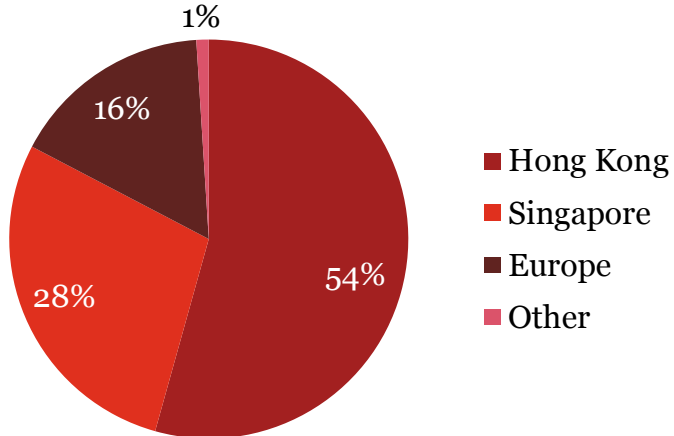


## Comparison of market structures

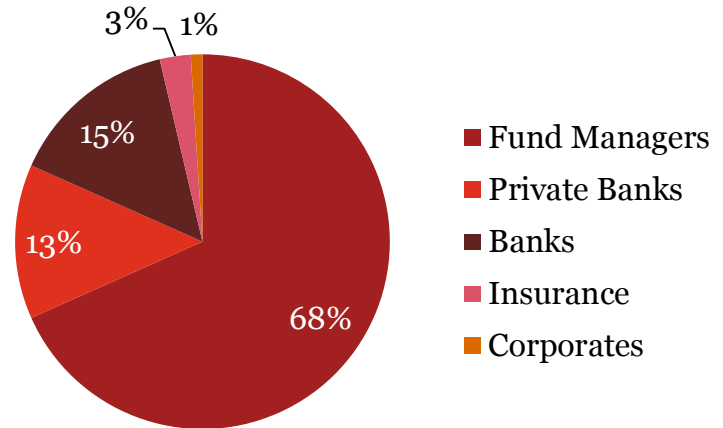
	Hong Kong	Singapore	Europe	US (144A)
<b>Market structure</b>	<ul style="list-style-type: none"> <li>Listed (5%)</li> <li>Private (OTC) (95%)</li> </ul>	<ul style="list-style-type: none"> <li>Listed only</li> </ul>	<ul style="list-style-type: none"> <li>Listed only</li> </ul>	<ul style="list-style-type: none"> <li>Private (OTC) (professional investors only)</li> </ul>
<b>Listing platform</b>	<ul style="list-style-type: none"> <li>Hong Kong Stock Exchange (HKEx)</li> </ul>	<ul style="list-style-type: none"> <li>Singapore Stock Exchange (SGX)</li> </ul>	<ul style="list-style-type: none"> <li>Irish Stock Exchange</li> <li>Luxembourg Stock Exchange</li> <li>London Stock Exchange</li> </ul>	<ul style="list-style-type: none"> <li>PORTAL</li> </ul>
<b>Key currencies</b>	<ul style="list-style-type: none"> <li>HKD, RMB, USD</li> </ul>	<ul style="list-style-type: none"> <li>USD, SGD</li> </ul>	<ul style="list-style-type: none"> <li>USD, EUR, GBP</li> </ul>	<ul style="list-style-type: none"> <li>USD</li> </ul>
<b>Applicable regulations</b>	<ul style="list-style-type: none"> <li>HKEx Listing Rules.</li> <li>Securities and Futures Ordinance</li> </ul>	<ul style="list-style-type: none"> <li>SGX Listing Manual</li> <li>Securities and Futures Act and its regulations.</li> <li>Monetary Authority of Singapore Act</li> <li>Companies Act</li> </ul>	<ul style="list-style-type: none"> <li>European Prospectus Directive</li> <li>Markets in Financial Instruments Directive (“MiFiD”)</li> </ul>	<ul style="list-style-type: none"> <li>Rule 144A</li> <li>Generally market participants expect the same standards to be applied as registered offerings although not required</li> </ul>
<b>Language of documentation</b>	<ul style="list-style-type: none"> <li>English or Chinese</li> </ul>	<ul style="list-style-type: none"> <li>English</li> </ul>	<ul style="list-style-type: none"> <li>English</li> </ul>	<ul style="list-style-type: none"> <li>English</li> </ul>
<b>Considerations</b>	<ul style="list-style-type: none"> <li>More familiarity with Chinese issuers</li> </ul>	<ul style="list-style-type: none"> <li>Quickest time to market</li> <li>Lower liquidity</li> </ul>	<ul style="list-style-type: none"> <li>Less familiar with Chinese issuers which may impact pricing</li> <li>Annual Report and Accounts required to be published within six months of year end for London listing</li> <li>Additional compliance with MiFiD</li> </ul>	<ul style="list-style-type: none"> <li>Can execute 144A offering combined with an offering in any of the other markets</li> <li>Additional legal cost as lawyers will be expected to issue a 10b5 opinion on the offering circular</li> </ul>

## Typical order book distribution for Asian debt

### Geography



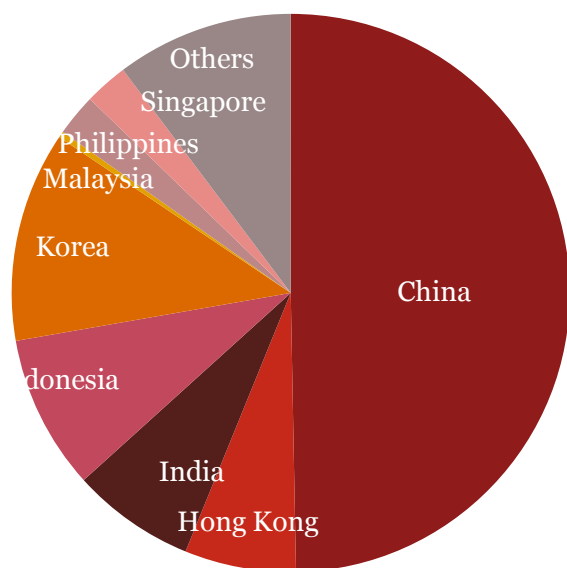
### Type



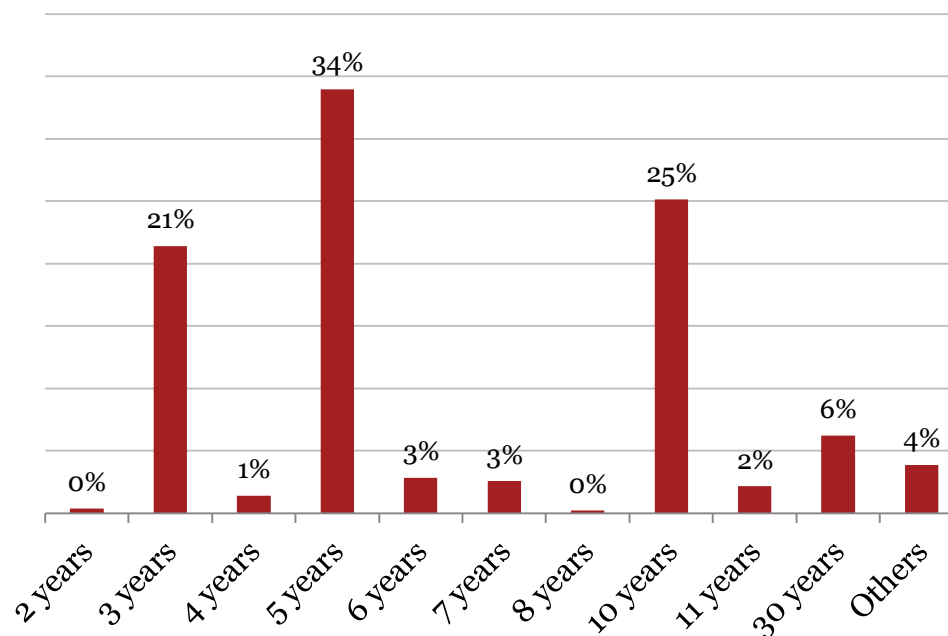
- Hong Kong and Singapore investors drive demand – roadshow is important for non-Asian credits.
- European investor base growing as the appropriate infrastructure is put in place.
- All bond offerings issued under Reg S restricting marketing to outside the US.

***G3 issuance is driven by corporates issuing USD denominated debt, generally under a 5 year tenor or less***

**G3 New Issues by Country 2015 YTD**



**G3 New Issues by Tenor 2013-2015 YTD**

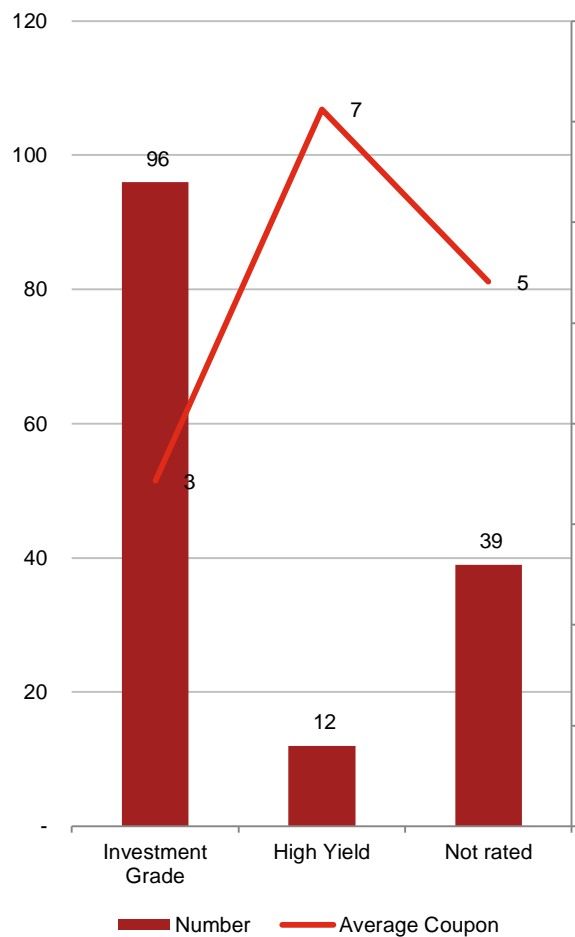


Issuer	Location	Rating	Currency	Size	Coupon	Tenor
ICBC	Mainland China	A1/A/NR	USD	2,000	4.88%	10 years
Swire Pacific	Hong Kong	A3/A-/A-	USD	500	3.88%	10 years
Geely Automobile	Mainland China	NR/A/NR	USD	300	3mL+170bps	5 years
Weichai Power	Mainland China	NR/BBB/BBB	USD	400	4.13%	5 years

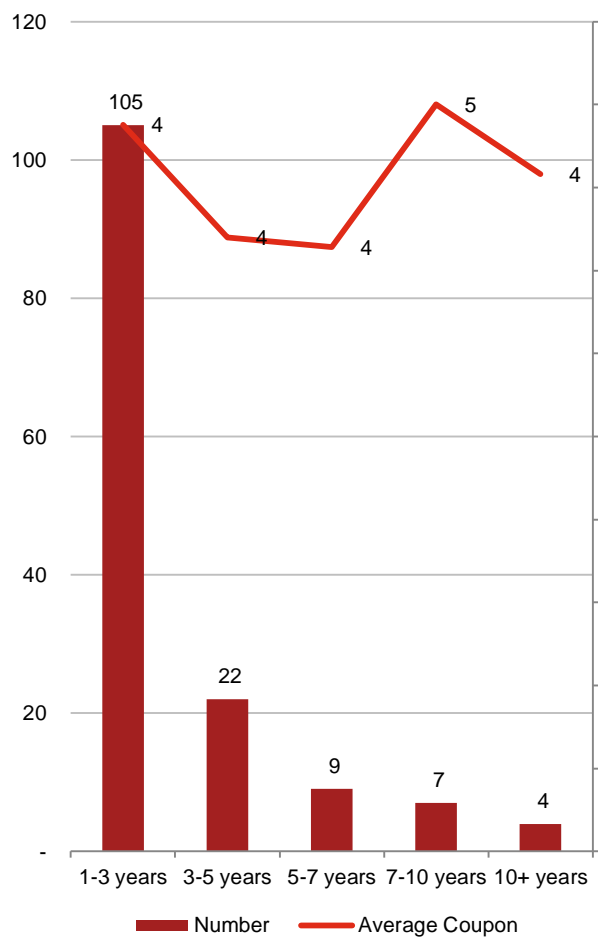
Source: Bloomberg; Data excludes Japan

**Offshore Renminbi (“CNH”) is generally shorter tenor due to financial institutions although longer maturities are available**  
**34% of CNH debt has been issued by global firms over the last four years**

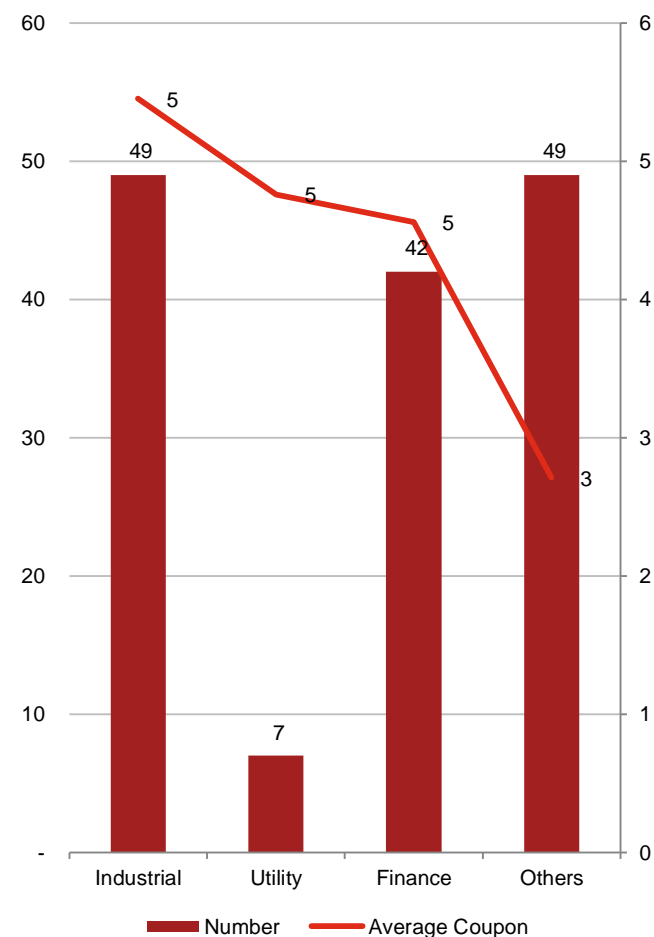
**By Credit Rating**



**By Tenor**



**By Issuer Type**



Source: Bloomberg

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## *Summary*

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- Asia's equity capital markets are dominated primarily by Mainland China and Hong Kong
- Deep pool of investor capital is held in Hong Kong and Singapore
- Regulatory changes are likely to benefit Hong Kong's equity markets in the medium-term (China reform of IPO process and Stock Connect programmes)
- Other equity markets mainly have a domestic focus (e.g. Japan, Taiwan, Australia)
- Asian debt markets lead by Hong Kong and Singapore
- Onshore Renminbi debt market remains relatively inaccessible to general corporates
- Offshore Renminbi remains an accessible financing option