《把问题化作乱麻的债转股》

One of the Chinese government ’ s emerging strategies for dealing with problem loans in the banking sector is a debt-for-equity programme — under which banks would write off struggling companies ’ debts in return for taking equity stakes in them.

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However, many analysts object to this plan, which state media have reported will initially involve up to Rmb1tn ($154bn) in problem loans. Past bank crises, they say, have shown that lenders should write off non-performing assets immediately, or pass them on to specially created “bad bank” vehicles. Delaying the inevitable simply incurs more pain at a later date.

????????????????????????????????????1????????1540??
“????”????????????????????????

As proposed, Beijing’s debt-for-equity programme instead doubles down on the adage that if you owe your banker a thousand bucks you are a debtor, but if you owe him a million you are his partner.

??1000??????????????????100??????????

Take the first, and so far only, large-scale debt-for-equity swap to be presented to investors in detail. Stripped of legalese and circumlocutions, Huarong Energy’s statements to the Hong Kong stock exchange about a proposed Rmb17bn transaction with 22 bank creditors — and more than 1,000 supplier creditors — provide a fascinating insight into how messy these transactions can become.

????????????????????????????——????????????????????170????????????????????(Huarong Energy)?????22??????
??1000??(HKEx)????????????????????????????????????

Huarong, whose primary assets are oilfields in Kyrgyzstan’s volatile Fergana valley, began life as China Rongsheng Heavy Industries, a private-sector shipbuilder. Chinese shipbuilders were the first casualties of the slowing domestic economy and the global shipping glut.

??(China Rongsheng Heavy Industries)????????????????????????????????????

As Huarong has told its investors, its shipbuilding business is, to all intents and purposes, a zombie operation. “Except for the continuous efforts in collecting outstanding receivables and realising existing inventories through sale, the operation of the group’s shipbuilding business has been minimal,” it has said.

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Huarong announced its reincarnation as a Central Asian energy company in 2014, the year the price of crude plummeted from $115 a barrel to less than $50.

2014??????????????????????????????????115???????50???

It was the corporate strategy equivalent of a Hail Mary pass in American football. Unfortunately for Huarong and its long-suffering creditors and shareholders, it was simply too late — and too desperate — a reinvention to save the company.

????????“???????”?Hail Mary pass????????????????——??

By June 2015 the group was saddled with shipbuilding-related borrowings of Rmb22.4bn, of which Rmb17.9bn had to be repaid within a year. But rather than bow to the inevitable, Huarong begged 22 banks to which it owed Rmb14bn to cancel its debts in exchange for shares.

??2015?6??????????????224????????179??140??????22????????????????

If all goes according to plan, the bank creditors — which have not been formally identified but are reportedly led by one of China’s “big four” state lenders — will end up with more than 70 per cent of the company, with supplier creditors holding 15 per cent and existing shareholders 13 per cent.

??????????????????????????70%??????????????15%????????13%??

As one analyst critical of debt-for-equity deals asks: “What do Chinese banks know about oilfield services? And if a big private company can get this sort of treatment, imagine what state-owned enterprises are going to get.”

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So far 12 bank creditors owed Rmb12.9bn have provisionally agreed to the swap. Huarong’s supplier creditors, however, who are owed Rmb3bn in total, are proving more reluctant. As of March creditors holding just Rmb323m, or 11 per cent, of Huarong’s IOUs were willing to accept shares in lieu of repayment.

???????????129??????12????????????????????????????30????????????????????3????????????????????3.23????????????????????????????11%?