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Securities watchdog raises refinancing threshold

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China's securities watchdog on Friday announced to raise the refinancing threshold for listed companies. The move was to foster the long term investment environment and facilitate the sustainable and healthy development of the capital market.

"For those listed companies scheduled to refinance on the market, the dividend they pay to shareholders in the recent three years should be no less than 30 percent of its distributed profits," said the China Securities Regulatory Commission (CSRC) in a new administrative rule.

The dividend could be either in cash or stock. The previous set line was 20 percent.

The market watchdog also asked listed firms to reveal its cash dividend policies and previous cash dividend data to investors in their annual reports in a bid to improve transparency.

"The listed company should give reasons why it failed to pay cash dividends if it is able to and where the money goes," according to the rule.

Amid the broad decline of the A-share stock market, excess supply was a problem because "the unlocking of non-tradable shares and listed companies' insatiable demand for equity refinancing" meant there was a need for fresh capital. But "wary investors are broadly cashing in their shares," said Cao Honghui, a Chinese Academy of Social Sciences senior researcher.

The benchmark Shanghai Composite Index has shed more than 60 percent from its peak in mid October.

Zhai Peng, a Guotai Junan Securities analyst, said this new move would help to boost sluggish investors confidence.

However, some experts held the key concern of investors in the near future was still the unlocking of large amounts of non-tradable shares.

The CSRC also would seek public opinion on this new rule through August 29. The public can voice their comments on the rules through email to csrcflb@csrc.gov.cn. (China Daily)

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