

IPOs lose steam in February

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The subdued sentiment in Chinese equity markets and regulatory constraints saw domestic initial public offerings (IPO) remaining tepid in February, with only two Chinese enterprises going public.

Both the companies made their listing debut on the main board of the Hong Kong stock exchange, and the total amount of money raised was over 16 times higher than that in January at \$142 million, according to a report from investment research firm ChinaVenture.

"The recent strength in gold prices saw the Real Gold Mining offering oversubscribed by 67 times, making it the largest IPO in terms of financing amount in Hong Kong since last October," the report said.

"Because of the IPO constraints in China's secondary market, and the ample liquidity as well as the abundance of international institutional investors in Hong Kong's equity market, many domestic firms chose to list on the latter bourse," said Xiao Lumin, analyst, ChinaVenture.

Since Sept 16, companies' public listing pace on the mainland exchanges has come to a halt, and over 30 companies that have been approved by the Issuance Examination Committee under China's securities watchdog are yet to be listed so far, according to Cai Junyi, analyst, Shanghai Securities.

"The current conditions have acted as a deterrant for domestic companies wanting to test IPOs waters, and instead propelled them to bank financing," said Wu Feng, analyst, TX Investment Consulting Co Ltd.

The central government's plan to resume the IPO market after a five-month hiatus is expected to open up a financing channel for companies.

Fan Fuchun, vice-chairman of China Securities Regulatory Commission, said on Friday that new share sales would restart "soon".

The spread between A shares and H shares of dual-listed companies have reached 150 percent, which indicates that companies may get a higher issuing price on mainland bourses, and more domestic companies will shift from Hong Kong to Shanghai or Shenzhen for listing. (China Daily)

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