

# China to maintain IPO trend says E&Y report

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By Li Xiang (China Daily)

BEIJING - Chinese enterprises will continue to dominate the market for global initial public offerings (IPO) in 2011, despite a slowdown in IPO activity and the economic uncertainties at home and abroad, said the accounting firm Ernst & YoungLLP.

Chinese issuers led global IPO activity in the second quarter of this year in terms of both the number of offerings and the funds raised. In the second quarter, 108 Chinese IPOs raised a total of \$20.4 billion, accounting for 28.6 percent of the global total and 31.6 percent of funds raised worldwide, according to a report from Ernst & Young.

In the first half of 2011, Hong Kong Exchanges and Clearing Ltd (HKEx) raised \$23.6 billion from 35 deals, the highest fund total among the world's major stock exchanges. The Shenzhen Stock Exchange recorded 144 deals in the first half of the year, making it the top global exchange in terms of the number of deals, said the report.

"Although Chinese IPO activity has slowed down, with investors concerned about inflation in commodity and housing prices, the Chinese IPO pipeline is still very strong and China will continue to lead global IPO activity in 2011," said Paul Go, managing partner of industries and priority accounts at Ernst & Young.

The global volume of IPOs reached \$111.1 billion in 672 deals in the first half of this year, 10 percent higher than the total in the same period last year. The \$10 billion IPO by the Swiss commodities trader Glencore International Plc on the HKEx was the largest offering in the second quarter, followed by the Italian fashion house Prada SpA which raised \$2.14 billion in Hong Kong.

Meanwhile, Ernst & Young expects to see the Shanghai international board launched in the second half of this year, with the first company to list by the end of this year, or early in 2012.

The board will allow overseas companies to raise capital in China's A-share market.

"Based on the feedback from our clients and the securities regulator, we think that there has been substantial progress in the preparation of the international board," said Sophie Chen, assurance partner at Ernst & Young.

She expected that the "red-chip" companies - those that have businesses in the Chinese mainland but are listed overseas - will be the first to list on the international board.

The launch of the international board will put Shanghai and Hong Kong in direct competition in the IPO market, as the latter is also keen to attract foreign companies to float on its exchange, Go said.

However, he warned that one disadvantage for the Shanghai market is that the yuan is still not fully convertible under the capital account, which may dampen demand for the Chinese currency from international companies.