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FCO COUNTRY UPDATES FOR BUSINESS

China: ABC Listing: World's Largest Ever IPO

British Embassy Beijing

August 2010

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Summary

- 1. Agricultural Bank of China's (ABC) listing in Shanghai and Hong Kong in July turns out to be, at \$22.1 billion, the world's largest ever initial public offering (IPO) - beating the previous record, set by the Industrial and Commercial Bank of China (ICBC) in 2006.**

Detail

- 2. Agricultural Bank of China's (ABC) listing is now officially the world's largest ever initial public offering (IPO).** ABC was listed in Shanghai on 15 July and in Hong Kong the next day. The initial share offering raised \$19.2 billion. But ABC exercised its right to sell up to an additional 15% of shares in the first month after trading began (known as a 'green shoe option'). As a result, ABC's IPO raised a total of \$22.1 billion, just beating the previous record (\$21.9 billion) set by the Industrial and Commercial Bank of China (ICBC) in 2006. ABC's listing has been described as the final (major) milestone in the 10-year long restructuring and reform of China's banking system - which has seen an estimated \$650 billion of state funds pumped into the banks to recapitalise them and all the major banks listed on the stock exchange (as well as a handful of smaller banks).
- 3. But investor sentiment towards ABC's listing has been mixed at best.** There have been a number of concerns about ABC's loan book and future profitability). ABC's share price has fallen by 0.4% (as of 16 August) since its debut in Shanghai and risen by 3.7% in Hong Kong. But ABC's listing coincided with a weaker Shanghai stock market - dampened by tighter government measures to cool the property market and reduce over-investment in sectors suffering from over-capacity, and announced plans by major lenders to raise around \$63 billion in new capital this year (though some of this will be raised by bond issuance rather than as shares). Banking stocks have been particularly hard hit (down around 20% since April) as a result of government measures to reduce overall lending levels, the introduction of new regulations requiring them to reduce lending to local government special investment vehicles, and the recent requirement to move 'off-balance sheet' assets on to their balance sheets.

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