Abrupt halt to Ant IPO stuns investors in S'pore...

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Abrupt halt to Ant IPO stuns investors in S'pore and abroad

$50b dual listing saw a lot more interest than usual from Singapore investors, say brokers

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Investors in Singapore and globally were stunned by the abrupt suspension of Ant Group's listing on the Shanghai Stock Exchange (SSE) less than two days before the world's largest initial public offering (IPO) was to take place in the Chinese city and in Hong Kong.

Brokers say there had been a lot more interest than usual in the US$37 billion (S$50.4 billion) dual listing from Singapore investors, many of whom are now "in a state of shock".

Ahead of today's listing, the fintech firm's IPO had even started to trade at a 50 per cent premium in the grey market, CMC Markets market analyst Kelvin Wong said in a Tuesday report.

This refers to an unofficial market where people can bet on first-day IPO share price movements, brokers say.

"Some trades were executed at HK$120 in the grey market (on Monday) versus its Hong Kong listing price of HK$80," Mr Wong noted.

But the writing was on the wall when Ant Group co-founder Jack Ma and two top executives were summoned to a meeting with Chinese regulators on Monday.

The next day, the SSE suspended the mega IPO, saying that Ant has "reported on material matters including a change in the regulatory environment on financial technology".

"Due to the material matters reported, (Ant) may no longer meet the conditions for offering and listing, or the requirements for information disclosure... (Ant) and (its) sponsors shall make public announcements according to regulations, explain the situations related to the material matters," SSE said in an announcement on Tuesday.

The IPO has also been suspended in Hong Kong, Ant Group said.

US-listed shares of Alibaba Group, which has a 33 per cent stake in Ant through its subsidiaries, plunged 8.1 per cent on Tuesday, marking their largest single-day decline since Jan 29, 2015, when they lost 8.78 per cent.

Billionaire Jack Ma's recent criticism of regulators stifling innovation could have provoked Chinese regulators, observers say. PHOTO: REUTERS

Uncertainty over the regulators' next move is not helping sentiment, said Mr Terence Wong, chief executive of Azure Capital.

"Even if they were to give the all-clear to the IPO, it may still leave a sour taste in investors' mouths given that this happened on the eve of the listing," he added.

Analysts say the suspension may mean Chinese regulators are worried over whether systemic risks to the Chinese banking system have been adequately addressed.

CIMB Private Banking economist Song Seng Wun noted: "Ant has to decide if it can satisfy Chinese regulatory requirements as soon as possible and whether to proceed with the IPO or to refund the monies. The outcome also depends on whether Chinese regulators are satisfied with the actions taken by Ant."

Reuters reported that Ant had been told that its consumer lending business will face tougher scrutiny over matters including capital adequacy and leverage ratios.

This comes as some regulators were "surprised" by Ant's business and financial figures, including the scale and profitability of its credit business, details of which were disclosed for the first time in its IPO prospectus in late August, Reuters reported one source as saying.

Mr Ma's recent criticism of regulators stifling innovation could also have provoked Chinese regulators, observers say.

A Bloomberg report had quoted him as saying: "Good innovation is not afraid of regulation, but is afraid of outdated regulation."

The comments fuelled the perception that Ant considered itself different and subject to a different set of rules, said Mr Frank Troise, managing director and chief executive of SoHo Advisors.

"The Chinese regulators have made explicitly clear that safety comes first," he said.

"They have concluded that Ant should be subject to similar regulatory oversight (like) any financial institution. This oversight includes the amount of leverage that Ant can deploy in its lending business, which when compared with its banking peers may be seen as a potential systemic risk."

But Mr Troise said he "expects the suspension to be lifted, and the IPO to move forward with a new set of financial assumptions added into IPO disclosure documents that incorporate the regulator's new requirements".

Professor Duan Jin-Chuan from the National University of Singapore Business School said the timing of the regulatory action was a surprise and "markets will demand a revaluation to reflect new regulatory realities".

NUS Business School's Adjunct Associate Professor James Cheng noted that "at the core, it is an issue of how the entire financial sector's profit margin and risk are distributed among players".

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