Latest on Asia-Pacific equities

Wall Street tech stocks heading for worst day since May

Chinese tech stocks sink as regulation fears hit Tencent

China Telecom heads for $8.4bn Shanghai share sale after US ban

Tokyo Stock Exchange chief defends Japan's progress on corporate governance

Asia-Pacific equities + Add to myFT

# Crackdown on education companies sparks sharp sell-off for Chinese stocks

Ban on tutoring groups from making profits raises fears that no sector is safe from Beijing's regulatory assault

Save

China's after-school tutoring industry has grown rapidly in recent years as the country's middle class has sought a leg-up for children in tests that determine admission to the top universities © EPA

Hudson Lockett in Hong Kong YESTERDAY

120



Global investors sold $2bn of Chinese stocks on Monday as Beijing's crackdown on education companies raised fears of more regulatory tightening across the world's second-biggest economy.

Offshore investors, who are mostly non-Chinese, were net sellers of Rmb12.8bn ($2bn) worth of Shanghai and Shenzhen-listed shares via a Hong Kong programme that lets them connect to mainland markets - the fastest pace of foreign selling in a year. Most of the shares they offloaded were picked up by Chinese buyers.

The market tumult was sparked by a move by Beijing over the weekend to ban academic tuition groups from making profits, raising capital or going public. News of the measures, which were unveiled via a leaked memo and were later confirmed, wiped about $16bn from the value of three of the sector's biggest companies on Friday.

Losses continued on Monday, with China's benchmark CSI 300 of Shanghai and Shenzhen-listed stocks closing 3.2 per cent lower while a sub-index of education companies tumbled 9.6 per cent. In Hong Kong, the China Enterprises index of mainland companies fell 4.9 per cent while the broader Hang Seng shed 4.1 per cent. The Hang Seng Tech index was down 6.6 per cent, its worst single-day fall in a year.

Investors said the crackdown, which followed regulatory moves to rein in financial and technology companies including ride-hailing app Didi Chuxing and ecommerce group Alibaba, raised concerns that no sector would avoid more stringent policing.

"The growing speed and intensity of these crackdowns is unprecedented," said Frank Benzimra, head of equity strategy at Société Générale.

Recommended


Explainer Chinese business & finance
China's crackdown on US listings threatens $2tn market

China's after-school tutoring industry has grown rapidly in recent years as middle-class parents have sought advantages for their children in the tests that determine admission to the country's top universities. But the overhaul outlined in the leaked documents aimed to "effectively" reduce students' academic burden and household spending on education within one year.

Follow the topics in this article

Chinese politics & policy + Add to myFT
Chinese business & finance + Add to myFT
Asia-Pacific equities + Add to myFT
IPOs + Add to myFT
Asia-Pacific companies + Add to myFT

The Hong Kong-listed shares of New Oriental Education, one of the sector's heavyweights, fell more than 40 per cent on Monday, taking the stock's losses to about 65 per cent over two sessions. Delivery platform Meituan's shares dropped 13.8 per cent in their worst one-day performance on record after Beijing also tightened rules on that sector.

Beijing has launched successive crackdowns on fast-growing sectors over the past year. Regulators in November pulled the plug on the record $37bn initial public offering of Ant Group, a fintech company controlled by billionaire Jack Ma, at the last minute.

That was followed by a broader clampdown on technology groups, including an anti-monopoly investigation into Ant affiliate Alibaba and other big ecommerce platforms. Shortly after Didi's New York IPO this month, new rules were introduced governing listings abroad for Chinese companies whose data-gathering activity covers more than 1m users.

"We can't say what sector will be the next that the Chinese government wants more control over," said Dickie Wong, head of research at Hong Kong brokerage Kingston Securities. "This will create fear and selling pressure in the near term."



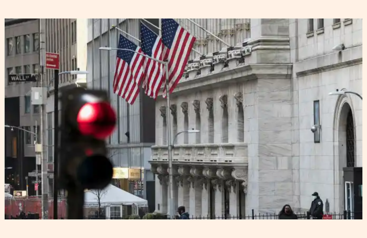
Latest on Asia-Pacific equities


Equities
Wall Street tech stocks heading for worst day since May
1 HOUR AGO


Chinese equities
Chinese tech stocks sink as regulation fears hit Tencent


China Telecom Corp Ltd
China Telecom heads for $8.4bn Shanghai share sale after US ban

Tokyo Stock Exchange Inc
Tokyo Stock Exchange chief defends Japan's progress on corporate governance



Capital markets
Wall St stocks slide and bonds rally as growth jitters resurface

Asia-Pacific equities
Global investors' exposure to Chinese assets surges to $800bn


Asia-Pacific equities
Didi regulatory crackdown drags Hong Kong tech stocks lower