Central China Securities slips on product default risks

By Li Dangbo in Shanghai

Shares of Central China Securities Co. tumbled in Shanghai and Hong Kong after the brokerage said two of its investment products worth 241.5 million yuan ($33 million) might default.

The products involved two new oil-and-gas production rights in Fujian, according to the National Filing and Information Service.

A new listing filing in Beijing also indicated that the company’s biggest risk factor is the state-owned nature of the project.

But the stock dropped by more than 5% at the close yesterday in Shanghai, capping its biggest day-to-day move since June. The shares lost 4.75% to HK$1.76 in Hong Kong.

The two asset management products were mined by PetroChina, a wind-and-solar power producer in Fujian, according to the National Filing and Information Service.

PetroChina, China’s largest oil-and-gas producer, is regulated and must cooperate with the company to protect the state-owned nature of the project.

It was not clear if PetroChina would be able to reach an agreement with the company to save the products.

The products involved two new oil-and-gas production rights in Fujian.

Orders harmonized for the first time in 2017, which was a key step in improving overall efficiency, a MEI spokesperson said.

The company said it would give the necessary documents to PetroChina to make the product suitable for the state-owned nature of the project.

The product’s management company had already reported the start date of a new product, without providing details.

The company will also assume the responsibility of the management of the products and take a series of measures to urge the fund managers to make the regulatory and operational work.

Central China Securities said.

The risk to assets in the products has been rated as “high”.

The company did not disclose the total assets involved in the products.

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