

Asia exchanges battle for resource-rich Mongolia IPOs

7:57am EDT

By [Joseph Chaney](#), Asia Resources Correspondent

ULAN BATOR (Reuters) - Asia's major stock exchanges have launched an all-out battle for IPOs from the land of Genghis Khan, with Tokyo, Seoul and Hong Kong jostling for a slice of the action from resource-rich and landlocked Mongolia.

The frontier Asian economy sandwiched between Russia and China is attracting serious attention from global investors after sealing a deal in October with Ivanhoe Mines ([IVN.TO: Quote, Profile, Research, Stock Buzz](#)) and Rio Tinto ([RIO.AX: Quote, Profile, Research, Stock Buzz](#)) (RIO.L: [Quote, Profile, Research, Stock Buzz](#)) to develop the \$3 billion Oyu Tolgoi mine, one of the world's biggest untapped copper and gold deposits.

Now, Mongolia's domestic companies are seeking foreign capital to help them expand, and the government is trying to connect local firms and its stock market with the rest of Asia, hoping to turn domestic franchises into regional ones.

Hong Kong has long been a natural destination for emerging Mongolian champions, given its diversified investor base, proximity to mainland China, and China's hunger for Mongolia's copper, iron ore, gold and coal.

But some analysts say Hong Kong's Mongolian IPO ambitions may be hampered by the city's listing ban on pure exploration companies.

"In terms of interest from the Mongolian side, probably the Hong Kong exchange is the most popular among Mongolia's government and companies because of the valuation, and because Chinese investors may want to show interest in Mongolian assets," said Masa Igata, founder and CEO of Mongolia-based Frontier Securities.

"There are some who can't list their stock in Hong Kong, and may consider listing on another stock exchange."

SEOUL SEARCHING

Executives from KRX in Korea are eyeing listings of emerging Mongolian enterprises in all sectors, as long as candidates meet a threshold of 2 billion won (\$1.6 million) in net income at the time of listing.

"We are targeting the small-medium size firms in Mongolia," Jung-Suk Jo, head of listing promotions, said at Frontier Securities' Mongolia Capital Raising Conference in Ulan Bator.

"We have also heard about privatization of state-owned enterprises. We are also targeting those companies."

Mongolia hopes to list Oyu Tolgoi on its domestic exchange and an international one, said Sugar Dulam, chairman of the State Property Committee of Mongolia. Dulam also said Mongolia planned to list Tavan Tolgoi, one of the world's largest untapped coal deposits.

Japan is seeking Mongolian companies for its Tokyo AIM market, but warned that Japanese investors may be wary of the risks involved in Mongolia, and recommended Mongolian companies with Japanese corporate partners bundle their assets into funds and list those on AIM.

"They know you have uranium, you have coal, you have lots of potential to grow," Yutaka Ito, Chief Operating Officer, Tokyo AIM, said regarding Japanese investors' view of Mongolia.

"But they also feel risks. If you make funds with Japanese companies, you make Japanese investors feel safe. These big guys - Nomura, Daiwa - feel safe with funds."

Mongolian telecom firm Mobicom is a joint venture between Sumitomo (8053.T: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)), KDDI (9433.T: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) and Mongolia's Newcom. Cosmetics giant Shiseido Co Ltd (4911.T: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) is currently establishing a presence in Mongolia, and Itochu Corp (8001.T: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) is invested in Hopu-backed Winsway Coking Coal.

Japanese firms Marubeni (8002.T: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) and Mitsubishi (8058.T: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) are exploring uranium projects in the country, Ito added.

LONDON TAKES AIM, TOO

London, too, is seeking Mongolian candidates for its AIM board, where companies from China and elsewhere are listed, while Australia's ASX ([ASX.AX: Quote, Profile, Research, Stock Buzz](#)) is promoting its experience in natural resources, touting the listing of Mongolia-focused Hunnu Coal ([HUN.AX: Quote, Profile, Research, Stock Buzz](#)) as a springboard for more Mongolia IPOs.

Despite their overseas ambitions, Mongolia would ideally start the IPO frenzy by listing its companies at home, but officials realize it would be difficult and ineffective, experts say.

"They'd like to let Mongolian companies list in the Mongolian exchange first, but they also realistically think it's impossible for the stock exchange to absorb such a big amount of money," Igata of Frontier said.

"At the same time, time is money, that's why they'd like to privatize state-owned companies for listing in places like Hong Kong."