

## China approves six small enterprises to issue short-term bonds

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Six Chinese enterprises have been approved to issue short-term bonds amid a pilot program among the country's small- and mid-sized companies.

Six firms that run machinery and electronic businesses have been approved to issue short-term bonds worth 252 million yuan (36.79 million U.S. dollars) with maturities of less than one year on the inter-bank market. About 197 million yuan of bonds would be issued in the first phase, sources with the National Association of Financial Market Institutional Investor (NAFMII) said on Thursday at a press conference here.

China's central bank gave the nod for eligible enterprises to sell short-term bonds in 2005 to widen financing channels.

To develop the country's capital market and broaden direct financing channels to curb enterprise's heavy reliance on bank credit, the central bank announced in April non-financial companies could issue such bonds without its approval from April 15.

Since the green light was given in 2005, only large state-owned enterprises gained such a right. Very few small enterprises enjoyed the same right.

The pilot program among small- and mid-sized companies was vital to help the cash-strapped small-scale business out of their difficulties and diversify the credit products in the inter-bank market, said Shi Wenzhao, NAFMII general secretary.

But experts said the popularization of the program demanded a more transparent market and greater policy support.

Shi said many small- and mid-sized companies lacked sound corporate governance and their information release was not transparent enough, which posed bigger risk than that of the large enterprises.

He also called for the establishment of a national credit guarantee system for small- and mid-sized businesses since it was a precondition for their financing activities.

He said more investors should be allowed to engage in the short-term bonds market.

Through 2007, 316 companies issued 769.3 billion yuan of short-term bonds, with 320.3 billion yuan of outstanding debt, statistics showed.

In comparison, short-term loans to non-financial companies and other institutions surged 1.25 trillion yuan in 2007, while middle- and long-term loans jumped 1.65 trillion yuan. (Xinhua)

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