

Direct financing move to strengthen market

Shareholders of listed companies can issue exchangeable bonds from yesterday to broaden the channels of direct financing, China's securities watchdog said yesterday.

Exchangeable bonds that are somewhat like of corporate bonds can be exchanged for shares, based on set conditions.

A China Securities Regulatory Commission (CSRC) official said that as soon as the draft regulation on bonds was released in September, many shareholders began discussing the possibility of issuing exchangeable bonds. Most of these people hold big companies' shares.

"Compared with simply dumping the shares to raise money, issuing exchangeable bonds can indicate that shareholders have confidence in the firms' future, and the confidence can rub off investors," the official, not named in a CSRC statement, said.

The CSRC regulation, released yesterday, said that to limit the risks and protect creditors' interest in the issuing of exchangeable bonds, a listed company's net assets has to be at least 300 million yuan (\$44 million).

Some key changes have been made in the final regulation compared with the draft. They include shortening the lockup period of shares, lifting their lower limit prices, clarifying their legal status and covering the proceeds for guarantee.

As for the proportion of bonds in total direct investment, the official said that till September listed companies had raised about 98 billion yuan by issuing bonds, which accounted for half of the amount raised through refinancing.

Among current bonds, those with attached warrant or equity warrant bonds topped the sales with 56 billion yuan, followed by corporate bonds (28.8 billion yuan) in the first nine months of this year.

From Sept 24, 2007, when China's first corporate bond was issued, to Sept 30, this year, 16 companies had issued such bonds, worth 40 billion yuan.

The pace of share issues has been much lower this year because of the sluggish stock market, but the bond market has been quite hot.

CSRC figures show 21 listed companies raised 74.5 billion yuan in the first half by issuing bonds.

But in the third quarter of this year, only about 23.5 billion yuan worth of bonds were issued, much less than the first two quarters' average of 37 billion yuan.

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