

Chinese firms resume overseas floats

Although there was a slight increase in the number of Chinese companies raising capital abroad in March, the total amount raised fell to a record low, ChinaVenture said in its latest research report.

The report said that five Chinese companies launched their IPOs in capital markets abroad, up 150 percent from February, but down from 12 in March 2008.

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The companies raised a combined \$24 million which was "incomparably smaller" than that a year earlier when China Railway Construction Corporation alone raised about \$5 billion yuan in Shanghai and Hong Kong, said ChinaVenture analyst Xiao Lumin, who compiled the report.

None of these five companies were, however, listed on the mainland. NIVS IntelliMedia Technology Group, a maker of audio and video consumer products in Guangdong province raised nearly \$1.93 million on the American Stock Exchange under the New York Stock Exchange, making it the only

company trading on the bourse last month.

The capital the company raised was "surprisingly low" compared to the average fund that the companies on the Small and Medium Enterprise Board in Shenzhen raised. "Even a small size listing could attract 300 million to 400 million yuan on an average," Xiao said.

She attributed the embarrassingly small amount to the liquidity crunch on the global stock markets. "Underwriters have to be aware of investors' shrinking pockets, and set a lower target to avoid listing failures."

On the global front, the New York and London bourses also saw IPO activities in March after a two-month drought.

According to ChinaVenture, eight firms raised \$174.4 million from IPOs in the first three months on global bourses. Among these, companies backed by venture capital/private equity managed to garner only \$8.12 million yuan, down 99.1 percent from a year ago.

"The upcoming introduction of the growth enterprise board (GEB) may open new financing avenues for cash-strapped domestic firms," Xiao said, but added that only very few companies would be able to satisfy the GEB listing requirements due to the economic crisis.

Mao Nan, analyst, Orient Securities, estimated that the country's securities watchdog would probably restart the main board IPOs during the second half, prior to which the pricing mechanism would be tweaked.

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