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# FWB IPOs Surge in 2011; Chinese Enterprises May Turn to Europe for Overseas Listings

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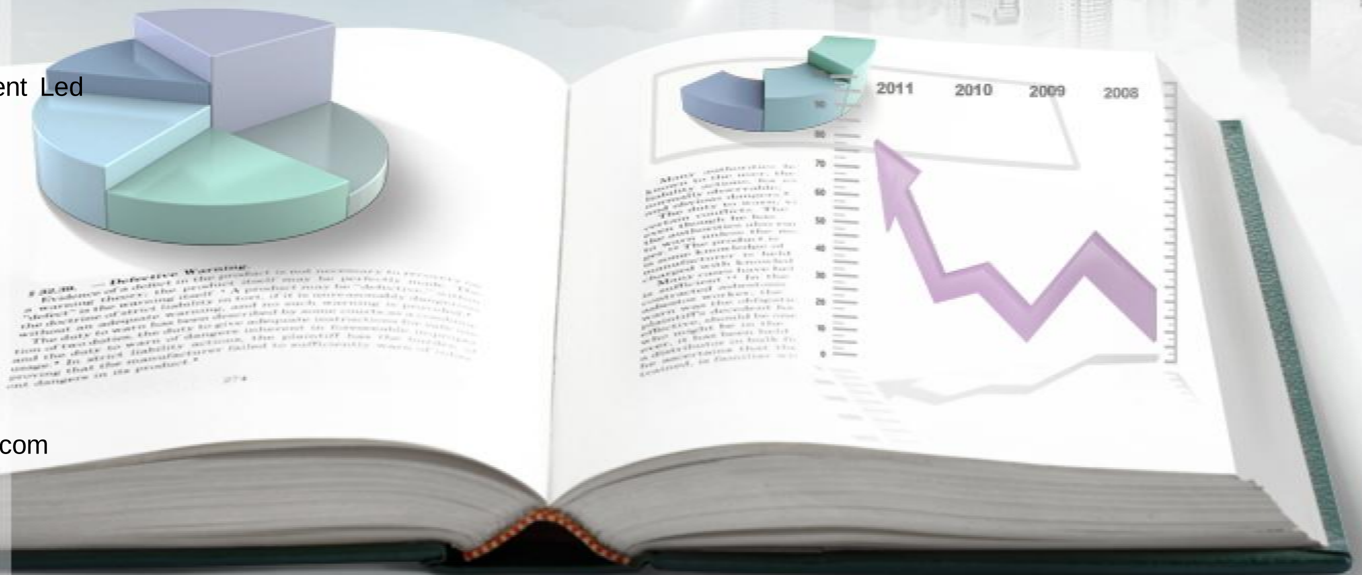
## Hot News



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# FWB IPOs Surge in 2011; Chinese Enterprises May Turn to Europe for Overseas Listings

Written By Gillian Zhang, Analyst with Zero2IPO Research Center

Zero2IPO Research Center observed that listings in Europe by Chinese enterprises somewhat warmed up: In the first seven months of 2011, four Chinese enterprises went to Germany's FWB senior market for listings, and the number of listings equaled the total number in the four years from 2007 to 2010; Meanwhile, UK Trade & Investment launched seminars themed "Going Out-Marching into International Markets" successively in cities like Shanghai and Shenzhen in 2010, in the hope of drawing more Chinese enterprises to the UK for investment and financing activities. As we are halfway through 2011, China concept stocks are embracing slowly opened windows into the European market although they suffered setbacks on the path to the US market.

## US Listed Enterprises Had Tough Days for Half a Year

During the several days in the first half of May 2011, the US market saw five IPOs successively launched by Renren.com, NetQin, Jiayuan.com, Ifeng.com and Zenix, which came after the surge of Qihu on the first day of trading and was followed by Tudou.com, Xunlei and Cloudary that were eager to have a try. The market seemingly has well prepared a "gee feast" for China concept stocks in advance.

In June 2011, China concept stocks experienced a sudden turn for the worse, with financial status doubted by multiple sides, corporate qualifications frequently suffering credit crises and stock prices and market capitalization both shrinking substantially as the institutions represented by MuddWasters vigorously did short sales.

Table 1 List of Chinese Enterprises' IPOs in FWB (Senior Market)

| Company Name | Listing Date | Industry (Grade 1) | Industry (Grade 2) | Fundraising Amt. | VC/PE Institution | Book ROI |
|---|---|---|---|---|---|---|
| Youbisheng Green Paper | 2011-7-13 | Others | Packaging | 1.42 | N/A | N/A |
| China Special Glass | 2011-7-1 | Chemical Raw Materials & Processing | Others | 23.85 | N/A | N/A |
| United Power | 2011-6-10 | Machinery Manufacturing | Electrical Machinery & Equipment Manufacturing | 20.7 | Orchid Asia | 0.69 |
| Powerland | 2011-4-11 | Textile & Clothing | N/A | 94.9 | N/A | N/A |
| Zhongyu Holding | 2010-3-30 | Construction/Engineering | Building Materials | 104.65 | PreIPO Capital Partners | 1.81 |
| Vtion | 2009-10-1 | Telecom & Value-added Services | Other Telecom Services & Technologies | 55.6 | SCGC, CIVC | 1.63 |
| Asia Bamboo | 2007-11-16 | Agr/Forestry/Fishing | Environmental Protection | 82.6 | N/A | N/A |
| Zhong De Waste Technology | 2007-7-8 | Clean-tech | Forestry | 108.82 | N/A | N/A |

Source: Zero2IPO Research Center

In July 2011, investor and enterprise concerns about US listings grew as the once-aggressive Xunlei and Cloudary suspended their listings due to poor environment in US secondary market. The month thus saw no Chinese enterprises going public in the US market, the lowest level since February 2010.

Table 2 Listing Fees for IPOs in FWB

| Item | Senior Market | General Market | Primary Market | Access Market |
| --- | --- | --- | --- | --- |
| Nonrecurring Fee | Euro3,000 for Listing | Euro3,000 for Listing | Euro750 for being listed | Euro750 for being listed |
| | Euro2,500 for Trading Licence | Euro2,500 for Trading Licence | Euro1,500 for being listed in the data list of issuers | |
| Annual Fee | Euro10,000 | Euro7,500 | Euro5,000 | Euro2,500 |

Source: Zero2IPO Research Center

In August 2011, the US capital market showed no clear trends for H2'11 as the possibilities for USD depreciation and global inflation increased at the same time, though US Congress parties reached consensus on the debt ceiling in August 2011. During the same period, Zhu Mingyue, CEO of Zhubajie.com, announced they would kick off US IPOs at a proper time while Tudou.com spread the news of an upcoming listing. Anyway, an ice-breaking move is expected among the US IPOs by the Chinese enterprises.

## FWB Embraces an IPO Surge

As a major international financial center besides New York and London, Frankfort is among the world's biggest capital markets. Deutsche Borse (FWB in this article) boasts complete regulation mechanisms, transparent transaction procedures as well as market maker system and sound liquidity, which facilitates enterprises' expansion in international markets, the European market in particular. However, Chinese enterprises have always shown moderate paces in Germany listings, taking interest far less than those in HKMB, US market and even South Korean and Singaporean markets. As of July 31, 2011, eight Chinese enterprises have been traded on the senior market of Deutsche Borse, and half of the IPOs took place in 2011, showing the gradually faster pace of Chinese enterprises in Germany listings.

The regulation department under Deutsche Borse requires prospectuses to be prepared mainly in English and preparation in both German and English only for key contents, which alleviates the burden of Chinese enterprises in listing preparation. In addition, the listing fees and post-listing maintenance fees on Deutsche Borse are both lower than those in the US market. For example, the minimum annual fees on NYSE stood at US $38,000, compared with Euro10,000 on the senior market of Deutsche Borse.

## Chinese Enterprises Return to London for Listings after 14 Years

LSE is the oldest stock exchange in the world, listed among the world's four major stock exchanges together with NYSE, NASDAQ and TSE. LSE set up the Alternative Investment Market (AIM), a growth enterprise market, in 1995. Beijing Datang Power Generation Company Limited went traded on LSE in 1997, becoming the first listed Chinese enterprise in the market. As of July 31, 2011, the listed companies disclosed in the official website of LSE included five enterprises in Chinese mainland, which were all big-sized state-owned enterprises. Besides, there were dozens of Chinese enterprises that went listed by setting up overseas branches in red chip structures.

China concept stocks have undergone ups and downs over the past 14 years. On one hand, China concept stocks were once doubted for poor performances and given cold shoulders as the listing conditions on AIM where the Chinese enterprises were traded were loose and no compulsory requirements were imposed on the qualifications of the listed enterprises ; on the other hand , few enterprises with sound profitability chose LSE because of their limited knowledge about the UK market and almost no Chinese enterprises went public on the LSEMB after Air China . However , various objective conditions are paving the way for the Chinese enterprises' return to the UK's capital market as the market pays increasing attention to the investment and financing activities by Chinese enterprises thanks to China's flourishing economy and the maintenance fees on LSE are lower .

## Chinese Enterprises Need to Diverse Places of Overseas IPOs

As the world's most important financial center , the US market has long been one of the top choices for Chinese enterprises in overseas listings . However , the prices for US IPOs are growing year-by-year as the US regulation grows tougher and the maintenance fees become higher . Despite the slightly lower degree of familiarity about the European market at home and the limited P/E ratios at present , it is necessary for Chinese enterprises to have second thoughts about the choices of places for overseas listings as both subjective and objective environment changes .

As one of the major sources for global IPOs , the listings of Chinese enterprises mean great benefits for overseas intermediaries and stock exchanges . As China's economy maintains robust growth , the overseas listings by Chinese enterprises can also help overseas investors share the fruits of China's economic development and asset appreciation by investing in Chinese enterprises . Therefore , drawing more Chinese enterprises to settle down becomes a major goal of various capital markets . The European market has shown positive performance in recent years , with the aim to build a bridge for exchanges of capital between China and Europe .

LSE and Deutsche Borse successively set up Beijing offices in 2008 to further intensify their cooperation with the Chinese market . UK Trade & Investment initiated seminars together with Price Waterhouse Coopers in several Chinese cities in 2010 , drawing a large number of representatives from Chinese enterprises ; Deutsche Borse has held three sessions of China-Europe Equity Forum and offered Chinese pages on its official website to provide Chinese enterprises with listing information .

In 2007 , NYSE acquired Euronext that included six stock exchanges like Paris Stock Exchange to set up NYSE Euronext . LSE and Deutsche Borse that have maintained independence are the core stock exchanges with the hugest influence in Europe . Despite the EU economic sluggishness resulted form Greece debt crisis , Germany and UK , as the two pillar economies with the greatest economic anti-pressure and recovery abilities , were least affected by the crisis and had relatively stable macro-economic environment . Through listings on the said two stock exchanges , Chinese enterprises can enter the EU market and better conduct M&As and cooperation with EU companies . ■

Table 3 List of Chinese Enterprises Going Public in LSE（Main Board）

| Company Name | Listing Date | Industry（Grade 1） | Industry（Grade 2） |
|---|---|---|---|
| Air China | 2004-12-15 | Others | Transportation |
| China Petroleum & Chemical Crop. | 2000-10-18 | Energy & Mineral | Oil & Gas Exploration |
| Zhejiang Expressway | 2000-5-5 | Others | Transportation |
| Zhejiang Southeast Electric Power | 1997-9-23 | Energy & Mineral | Production & Supply of Power, Gas & Water |
| Datang International Power Generation | 1997-3-20 | Energy & Mineral | Production & Supply of Power, Gas & Water |

Source: Zero2IPO Research Center

## China Life Gets PE License, First Investment Identified-Report

Aug. 17, 2011, International Business New

China Life , the world's biggest insurer by market capitalisation, has become the first Chinese insurance company to be granted a license to form a private equity fund, a local newspaper reported on Wednesday.

China Life has identified its first investment after obtaining the license, the 21st Century Business Herald reported, citing sources it described as authoritative.


China Life has formed a team of 20-30 people who have been tasked with identifying investment opportunities for the private equity business, the newspaper said.

Commission (CIRC) said insurers would be allowed to broaden their investment channels into private equity and real estate, a move that could unleash as much as $100 billion worth of capital into the two sectors.

## Asymchem Laboratories Secures RMB250M Investment Led by Infinity

Aug. 17, 2011, PEdaily.cn, Siva Liu

Infinity Group has announced recently that, its Tianjin Tianyi Medical Fund formally invested in Asymchem Laboratories (Tianjin) Co., Ltd. in June 24, 2011. Tianyi Medical Fund is jointly established by Israel Infinity Group, Tianjin Venture Capital and other local institutions, focusing on the biopharmaceutical industry. Asymchem obtained an aggregate financing amount of RMB250M, of which RMB90M investment was co-led by Tianyi Medical Fund and Tianjin Venture Capital.


Asymchem Laboratories is a bio-pharmaceutical company providing professional services for international pharmaceutical enterprises to help them shorten new drug development cycle and accelerate marketing of new medicine.

## Xiu.com Closes US$100M Series B from Warburg Pincus & KPCB China

Aug. 17, 2011, PEdaily.cn, Siva Liu

Xiu.com, a China-based fashion shopping site, announced officially that, it has obtained US$100M in the series B round of financing. This is a new round of financing that xiu.com received, following US$20M from KPCB China in series A round this March.