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“Now they (US investors) are no longer satisfied with a few information meetings. They want to visit the company or factory in person (before they invest).”

BYRON ROTH  
CEO OF ROTH CAPITAL PARTNERS

## Chinese IPOs Welcomed in US

By WU CHONG  
CHINA DAILY

NEW YORK: Chinese companies will continue to seek capital in US markets and Americans will invest in these companies, both in the US and in Hong Kong, according to Byron Roth, CEO of ROTH Capital Partners.

The company's research shows that two industries — consumer goods and infrastructure — are of particular interest to American investors due to their high growth margin. Some companies in these categories, such as Jinpan International Ltd (JST), have demonstrated “strong management” and “top-notch quality of operation” that can compete at a global level, according to Mark Tobin, director of research at ROTH.

Over the past five years, Chinese companies have raised \$26 billion more through IPOs (initial public offerings) than American companies, according to the New York Times.

The dearth of US listings has prompted the New York Stock Exchange and NASDAQ, as well as investment banks, to step up their efforts to attract Chinese IPOs, analysts say. “Half of our business is now coming from China,” Roth said. The company currently serves about 60 Chinese companies; all are privately owned and most “do not have a lot of export exposure”, he said.

ROTH is one of the first US investment banks to focus on financing US-listed Chinese companies. The firm set up a Shanghai office three years ago and holds workshops focusing on China each year. One of these, the 22nd Annual OC Growth Stock Conference — will be held on March 15 — 17 at Dana Point, California.

“We'll have over 365 companies (participating in the conference), and 85 of them are from China,” Roth said. The event is expected to attract 2,500 attendees, including more than 1,500 institutional investors. Of all the specific requests from these investors, 30 percent involved Chinese companies.

US investors are more prudent in their investment decisions than they were a couple of years ago, when Chinese listings were first introduced in the US, the CEO added.

“Now they (US investors) are no longer satisfied with a few information meetings. They want to visit the company or factory in person (before they invest),” Roth said.

“At first, we took 50 investors each time to Beijing, Shanghai or Shenzhen to meet our Chinese clients,” he said. “This satisfied them a few years ago, but it is not enough any more.”

Now ROTH arranges smaller tours, typically involving four or five investors, to Xi'an, Harbin and other second-tier cities where factories are located. At the upcoming Dana Point conference, one-on-one meetings will be set up between

Chinese companies and interested investors.

For their part, Chinese companies are exploring ways to better benefit from the US market, according to Zhu Lijie, vice-president of Dragon Gate Investment Partners, an emerging investor relations agency.

“Our research shows that of the 1,000-plus Chinese companies listed in the US, only 100 to 200 are really active in the stock market,” she said. “It means only 10 percent of these companies have maintained their stock prices successfully.”

Robert Stephenson, managing director at ROTH, added that more US-listed Chinese companies now consider alternatives to PIPE (Private Investment in Public Equity). But they need a lot of guidance in that regard, he said.

“There are many things they need to do: get a big audit firm, so the institutional investor will feel more comfortable, and a big law firm,” Stephenson said.

Financial Times reported recently that up to 16 US-listed Chinese companies are confronted with the class action lawsuits, mainly because they issued dishonest financial reports.

“We will have to continue to educate them (Chinese companies) on things that they can do to improve their evaluation,” Stephenson said.

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