

## The Chinese Are Coming! But They Need Help

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Small and medium Chinese companies have a hard time getting listed on Chinese stock exchanges and increasingly want to be listed in the U.S. At the same time, U.S. institutional investors' appetites for Chinese equities are growing. As a result, there is a surge of business opportunity for U.S. service providers who can help bridge the gap between the two.

**NASDAQ** now lists 159 China-based companies, up from only 30 or so a year ago, according to **Selig Sacks**, a partner with law firm **Pryor Cashman**. **David Dunn**, head of capital markets at **Brean Murray & Co**, noted that there are approximately 550 Chinese companies listed in the U.S. compared to 140 in 2006.

The surge in U.S. listings stems in part from the long wait times and regulatory difficulties listing on the **Shanghai**, **Hong Kong** or **Shenzen** stock exchanges. "If you're not a major, state-owned [company] it can be very difficult to get on an exchange," said **Mark Tobin**, director of research with **Roth Capital Partners**.

The push into U.S. markets also comes from Chinese provincial governments who actively encourage companies to tap the largest, most liquid capital market in the world, said Sacks. **David Weild**, senior advisor for **Grant Thornton** and former vice chairman of NASDAQ, added that some local governments even pay bounties worth hundreds of thousands of dollars to companies who manage to get listed on a major U.S. exchange.

There is a great deal of business for auditors and investment banks to find good Chinese companies, get their books in order and bring them to American shores. But once they're here, there's even more business in connecting them to U.S. institutional investors. "Most of our work with companies starts after we raise money for them They need after-market support. We need to make sure people understand their stories," said Dunn.

Some of this support includes running informational "boot camps" about the workings of the U.S. equities market, taking the Chinese companies to conferences and explaining to institutional investors why it's a good idea to buy their stock. Consulting fees are on par with what U.S. based companies are charged

Tobin said that the interest in emerging markets makes it easier for him to get investors to examine Chinese companies on their merits and not as a "China bucket" stereotype. **Lewis Fan**, managing director at **Rodman & Renshaw** said over the last nine months, small-cap money managers saw no growth in the U.S. and European sectors and are looking increasingly towards Chinese equities that have demonstrated strong growth rates. "Addressable audiences for [Chinese stocks] increased over the past few years," said Dunn. "It's hard to pass up 40% growth."

*--Igor Kossov*

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