

GREATER CHINA CORNER - DIVESTMENTS

Floated on International Platforms

*Bourses on Hong Kong and Singapore
add two China plays*

For investors of growing companies, the liquidity choices are broadening. Although Beijing is making earnest efforts to encourage its domestic companies to seek listing at home, some have chosen to have their addresses as public companies on platforms that would attract international institutional capital. The recent listing performances of Sunny Optical Technology (Group) Co. Ltd. ('Sunny Optical') on the Hong Kong Stock Exchange ('HKSE') and China XLX Fertiliser Ltd ('China XLX') on the Singapore Exchange Securities Ltd. ('SGX') were undisputed confirmations of global investors' insatiable appetite for China stock, irrespective of which industrial sector.

In mid June, Sunny Optical became a publicly-listed company on the HKSE. The optical component producer offered its shares at HK\$3.82 (US\$0.50) each. On its first day of trading, Sunny Optical's share price rose by 5.2% to close at HK\$4.02 each.

More importantly, Sunny Optical is an example of a successful collaboration of a technology company between local and foreign venture capital investors. Between May 2005 and September 2006, **Chengwei Ventures** and **Investors Growth Capital Asia** invested a total of US\$14.9 million in Sunny Optical and jointly took up a 33% stake in the company. Although both have decided not to dispose of their holdings, based on an offer price of HK\$3.82 per share at Sunny Optical's initial public offering, these two venture investors' value in Sunny Optical would have multiplied 8.2 times, an exhilarating return on their book (fig. 33).

Five days after Sunny Optical first commenced trading its shares in the public, in Singapore, China XLX

made its debut through a public offering of 262.88 million shares at S\$0.77 (US\$0.50) each. Investors displayed their keen interest for this fertiliser company and its first day share price closed at S\$1.20 at closing, a 56% increase to its public offer price.

China XLX, a coal-based producer of urea and compound fertiliser that is based in Henan, has two production plants, with one in Xinxiang and another in Henan.

In October 2006, a consortium of investors using private equity investment vehicles, including funds managed by **UOB Venture Management Pte. Ltd.**, and **SkyVen Asset Management Pte. Ltd.** committed an aggregate S\$7.67 million in China XLX. With the exception of OCBC Capital Investment, all private investors sold their holdings at China XLX's initial public offering, boasting a return multiple of 4.9. ■

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	Sunny Optical	China XLX
Private equity investors ⁽¹⁾	Chengwei Ventures Investor Growth Capital Asia	UOB Venture Management SkyVen Asset Management
Invested amount	US\$14.9 m	US\$3.5 m
Realised amount	US\$121.07 m ⁽²⁾	US\$17.4 m
Date of listing	15 th June, 2007	20 th June, 2007
Stock exchange	Hong Kong	Singapore

Sunny Optical = Sunny Optical Technology (Group) Co. Ltd.

China XLX = China XLX Fertiliser Ltd

⁽¹⁾ selected private equity investors only

⁽²⁾ based initial public offering price but investors have not disposed of their holdings

Fig. 33

Source: ASIA PRIVATE EQUITY REVIEW

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Good to be Home

*China's A-share market has proven
its attraction to home-grown technology
companies*

As the Shenzhen Stock Exchange makes plans to create the China version of NASDAQ, it has all the reasons to believe that this new board could one day rival its counterpart in the USA.

In mid June, Sunlord Electronics Company Limited ('Sunlord') made its debut on the Shenzhen Stock Exchange and it was a spectacular performance. Sunlord offered 24 million shares, representing 25.5% of the post-issue capital, at 13.60 yuan (US\$1.70) for each of its shares. On its first day of trading, its share price climbed 152.2% and closed at 34.3 yuan per share.

Sunlord was financed by a domestic venture capital investment firm. In June 2003, **Guangdong Technology Venture Capital Group** ('Guangdong Technology'), the

investment arm of the Guangdong government, invested 12 million yuan in Sunlord, equivalent to paying 0.86 yuan for the invested company's shares. Although Guangdong Technology did not dispose of its holdings at Sunlord's initial public offering, it can take joy that the offer price, at 13.60 yuan each, represents nearly 16 times of the invested amount.

Established in September 2000, Sunlord manufactures electronic parts for telecommunication and consumer products. Its customers include Intel, Dell, Sony, Panasonic and Toshiba.

Another company that has just submitted its filing with China Securities Regulatory Commission ('CSRC') is Ningbo MOS Group Corporation Limited ('MOS'), which is backed by **Belgium-China Direct Equity Investment Fund**. In December 2005, the fund invested a total of 41.36 million yuan for a 26.67% stake in the largest miniature bearing company in China.

Belgium-China Direct Equity Investment Fund is an €40 million (US\$54.38 million) fund that was established in 2003. Its investors