

News Release

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IPO funds raised in 2009 to reach HK\$70 billion **Market to stabilise in second half of 2009, says PricewaterhouseCoopers**

Hong Kong, 7 January 2009 – The subprime crisis and credit crunch have dealt a hefty blow to the global capital markets, and Hong Kong is not immune to the impact of a global recession. At the “IPO Market Year End Review for 2008 and Outlook for 2009” press briefing today, PricewaterhouseCoopers (PwC) predicted that funds raised through new IPOs will be HK\$70 billion in 2009, slightly above the figure in 2008 of HK\$66 billion. With the fiscal stimulus programmes in place, the firm believes that the China and Hong Kong economies may be stabilised in the second half of 2009.

In Hong Kong, the number of IPOs totalled 49 last year, dropping 43% compared to 2007. Among the 49 companies, 47 are on the Main Board (2007: 84) including 27 newly listed companies with funds raised (2007: 80), 2 introductions (2007: nil) and 18 transfers of listings from the GEM Board (2007: 4), and 2 on the GEM Board (2007: 2). The total IPO funds raised declined by 78% to HK\$66 billion.

“Hong Kong IPO activities have slowed down in the first half of 2008. The capital market has remained stagnant ever since the collapse of major property financiers and financial institutions in the second half of last year. Excluding companies that raised funds of more than HK\$10 billion, the average deal size in 2008 has fallen 18% to HK\$1.8 billion compared to HK\$2.2 billion in 2007. Also, the number of IPOs raising over HK\$10 billion has dropped significantly from 8 in 2007 to 1 in 2008. However, in terms of funds raised, 2008 is still a better year than 2003 when SARs hit Hong Kong. We believe once investor confidence is back, IPO activities will resume,” said Edmond Chan, Partner of PricewaterhouseCoopers’ Capital Market Services Group.

In 2008, the amount of funds raised through IPOs accounted for about 17% (2007: 50%) of the total equity funds raised in Hong Kong which is HK\$382 billion as of 15 December 2008. The remaining 83% were contributed primarily by placements, rights issues and consideration issues of listed companies.

The firm expects there will be 35 new listings in 2009 including 30 on the Main Board and 5 on the GEM Board, while the total capital raised will be about HK\$70 billion. The forecasted new listings exclude any transfers from the GEM Board to the Main Board.

“Despite the challenges in the current market conditions, there are also opportunities. Some investors continue to take advantage of the relatively better economic prospects here in China and are still interested in searching for quality companies with strong fundamentals,” said Richard Sun, Assurance Partner of PricewaterhouseCoopers.

“Looking ahead, we believe that the stimulus plans launched by the governments in the U.S., Europe and China may help create new jobs, stimulate consumer spending and restore investor confidence. However, this will take some time to have a positive impact on the global economy which we should be able to see signs of stabilisation and improvement in Hong Kong and mainland China in the second half of 2009, as we are relatively less directly affected by the global recession. When market sentiment rebounds, deal flows will gradually pick up because the pipeline of quality Chinese companies seeking for IPOs is strong. We believe that the Hong Kong stock market is still attractive for IPOs as it is the gateway for foreign investors to access the mainland China market,” Mr Sun concluded.

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Notes to the Editor

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