MORE THAN HALF OF MID-MARKET CHINESE COMPANIES EXPECT TO SEEK NEW CAPITAL WITHIN 24 MONTHS SAYS NEW SURVEY

Pillsbury surveys mid-cap China-based companies for views on public equity markets

Shanghai (March 3, 2011): A new survey conducted by Pillsbury's China practice of nearly 200 individuals involved in operating and investing in midsized Chinese companies revealed that 55% expect to seek financing within the next 24 months, and 43% expect to do so this year.

"Our own practice tell us that Chinese companies are accessing the public equity markets at an increasing pace," said Woon-Wah Siu, a capital markets partner who leads Pillsbury's Shanghai office. "But we were very pleased to see just how bullish executives at Chinese middle-market companies are, with the majority planning to obtain new capital to expand their companies quite soon."

The survey also confirmed that Chinese executives believe that the U.S. still offers the most opportunities for foreign expansion. Thirty-eight percent of respondents said the U.S. and Canada offer the most opportunities for foreign expansion, while 26% said that other parts of Asia, including Australia and New Zealand, offered the most opportunities, and 11% favored Latin America.

"One result that surprised us was that more Chinese executives believed that new opportunities lay in Africa than those who favored either the EU or Russia and CEE countries," added Siu. "Seven percent favored expansion into Africa versus six percent in EU countries, and just three percent into Russia and the CEE. Given the close proximity of Russia to China, one might have expected Chinese executives to see more potential there."

In terms of capital market financing, Chinese executives felt by a wide margin (42%) that an IPO or other public offering was the most effective way to raise capital, followed by a PIPE transaction (24%) and bank financing (22%). Just 12% thought a convertible debt financing the most effective.

"This survey shows a growing preference among Chinese companies for underwritten public offerings, as well as an increasingly larger deal size. As a result, we are doing relatively more IPOs and underwritten follow-on offerings than was true several years ago – both for issuers and underwriters," says Tom Shoesmith, head of Pillsbury's China Practice.

"PIPEs will always be a good option, however, especially given the certainty and speed of a privately-negotiated deal," added capital markets partner Lou Bevilacqua. "Indeed, as Pillsbury ranks fourth among law firms for the largest number of PIPE transactions handled for issuers, our PIPE pipeline is quite full, and most of those PIPE transactions are for companies based in China."

Bevilacqua added that given how rapidly the Chinese stock market is growing and the apparent higher valuations seen in China, it was not unexpected that 45% of all survey respondents would prefer to list their company on a China exchange, followed by 30% who said they would prefer to list on AMEX, Nasdaq or other American exchange.

"What's compelling is just how quickly Chinese companies have embraced the exchanges in mainland China," said Bevilacqua. "About 26% of executives favored the Hong Kong exchange and 19% preferred the Shanghai or Shenzhen exchanges, which is a radical departure from the predisposition towards U.S. exchanges evident just three years ago."

To compile results, Pillsbury conducted an online poll of its China practice clients in both English and Chinese. Thanks to the assistance of event organizers, it also distributed the poll to upcoming attendees of the Rodman & Renshaw Annual China Investment Conference to be held March 6-9 in Shanghai and the Roth OC Growth Stock Conference in Laguna Beach, CA to be held March 13-16, two leading conferences for China-related investing. All data was anonymous to encourage respondents to be as candid as possible. More than 190 executives participated.

"As the world's second-largest economy – and one that's expanding rapidly – the Chinese market is extremely important to our clients and we believe it crucial to stay abreast of the latest trends and developments," said Shoesmith. "We created this survey to gain a better understanding of what financing instruments Chinese mid-market executives most favor, and what they view as strategically important in the coming year in terms of advancing their company's growth."

Pillsbury's China practice consists of 20 attorneys and consultants, half on the ground in Shanghai, who focus primarily on capital markets transaction for China-based companies, including IPO and other public offerings, reverse mergers and PIPEs, as well as FDI, M&A, FDI, private equity and venture capital financing. Pillsbury, which has increased its revenues for China-related matters by 183% since 2008, also advises Chinese companies on all aspects of doing business in the United States, including general corporate, litigation, regulatory compliance, IP counsel and international trade matters. Pillsbury ranked by *2009 Chambers Asia* as a leader in China for Corporate/M&A and Private Equity/Venture Capital Investment, and was named "2010 Best Investor Counsel of the Year" and "2009 Best Corporate Counsel of the Year" for Chinese companies by *Top Capital*, the leading private equity journal in China.

About Pillsbury
Pillsbury Winthrop Shaw Pittman LLP is a full-service law firm with market-leading strengths serving the energy, financial services, real estate and technology sectors, and increasingly health care. Based in the world's major financial and technology centers, Pillsbury counsels clients on global corporate, regulatory and litigation matters. We work in multidisciplinary teams that allow us to anticipate trends and bring a 360-degree perspective to complex business and legal issues—helping clients to take greater advantage of new opportunities and better mitigate risk. This collaborative work style helps produce the results our clients seek.

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