increase shareholder value."

Others, such as Chien at 51Job Inc say that they did not do anything markedly different last year. "It is a bit ironic; there was an expectation that our business would do badly given the more challenged macro environment," she says. "The situation this year, however, could be much tougher; our share price has gone up and therefore the question is how much higher can it go? Managing investors' expectations will be more crucial this year."

Chien adds that, unlike some of the other companies, 51Job Inc faces unique challenges. "Our transaction volume is actually quite low with a 20% public float," she notes. "Out of the public float, half is locked up by a number of key shareholders. Sadly, in the past two years, our transaction volume has been less than 50,000 a day, which is really low. Our challenge is to find where the liquidity is going to come from." Investors may hear our story and like our stock, she says, but they are hard-pressed where to secure shares. "This is a hard one for management to try and resolve. We are a cash-rich company and investors and analysts have suggested issuing more shares. We expect these questions to again be raised at investors' meetings this year; we need to figure out if there are any other alternatives to increase liquidity for our investors."

Although panelists expressed a general view that the region and the companies in Asia were spared the worst of the global crisis, Asia still faces some longer-term structural challenges that could derail the region's continued economic expansion. Indeed, the crisis has exposed some difficult issues.

While China, for example, is becoming increasingly a significant driver of global growth, the country still faces considerable challenges. "As strong as China's economy is in Asia, it still relies a lot on the spending power in the West – the US and Europe," notes Yung of Century 21. "It is too early to say whether China is able to decouple from the West. There is still a lot of concern and therefore China will need to be careful in how it approaches say, controlling real estate prices. It would be bad if a market collapses before domestic spending is in place."

Li of Yingli Green Energy agrees. "Asia and China are not only coupled to the US but to the rest of the world as well," he notes. "If you look at industry patterns, Asia, and especially China, is focussed on the manufacturing part; this is a fundamental cornerstone of the economy. One of the reasons why China was able to survive the crisis is because of the size of its manufacturing base."

China and Asia's dominance in manufacturing is creating friction, especially with the US. Jin of CNInsure believes that one of greatest threats to global recovery is protectionism. "Interdependence among the different regions is high," Jin says. "Europe, the US and Asia have different economic structures. Protectionism is a danger not just in terms of trading but in terms of markets as well. If the situation deteriorates, it could affect the cooperation among countries in all aspects of economic activity – even in critical areas such as climate change."

Kenneth Tse, managing director and head of depositary receipts at J.P. Morgan, similarly concurs with the views around the continuing importance of the US to Asia. "Of course, China's economy is growing in importance, but China's exports are still mainly going to the US. If the US is not doing well, it is likely the global economic activity will remain sluggish. It is too early to talk about de-coupling."

China at the forefront of ADR listings

Since the great volatility in the world's capital markets in 2009, capital raising through IPOs has gradually resumed. For Asia-Pacific companies wanting to raise capital, American depositary receipts (ADR) have remained a popular instrument. This was particularly the case in China: in 2009, Chinese companies raised more equity capital through ADR offerings than any other country. Eight new issuers from China raised $1.9 billion via ADR capital raising. Furthermore, existing issuers from China raised $1.1 billion through ADR follow-on offerings.

The standout deal of the year was completed by Shanda Games, which in September raised more than $1 billion by listing on the Nasdaq, the largest ever ADR single listed IPO offering from China. J.P. Morgan acted as depositary bank in this landmark deal.

We expect ADRs to play an even greater role in funding the growth of Asia-Pacific economies. Nowhere is this more true than in China, which has one of the world's strongest ADR IPO pipelines.

The rise of ADRs in China

ADRs arrived in China in 1993, during a period of rapid transformation for the national economy and have gradually become a popular choice for Chinese companies that want to take advantage of the US markets. The key advantage of ADRs is that they trade, clear and settle like US stocks, which allows US investors to conveniently invest in Chinese companies while at the same time avoiding the difficulties traditionally associated with holding securities abroad.

The growing economy changes the focus of ADR listings

In 2009, China's GDP grew by 8.7%, an impressive feat considering that growth in much of the world came to a standstill. This means that China remains a particularly attractive destination for international venture capital funds that are keen on taking advantage of the world's greatest growth story.

For the venture capital funds with stakes in Chinese companies, a US listing is a viable exit strategy, providing them with valuations and research coverage that are in line with international markets. This has become an increasingly common strategy for private sector companies that have a focus in a high-tech industry.

The outlook for ADRs in 2010 remains positive. Already this year, six Chinese companies have successfully listed, which include IFM Investments, exclusive real estate franchisor in China for the Century 21 brand, media company Charm Communications and solar energy company JinkoSolar. As the year progresses, companies from a broader range of industries – such as education, media and consumer services – are to undertake ADR listings to tap foreign markets for capital.

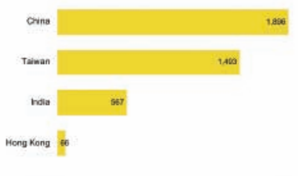
The Chinese economy is becoming less dependent on exports as domestic demand increases. Companies with an exposure to China's up-and-coming consumer boom will be the main beneficiaries of this economic shift. The result will be a further diversification, both in terms of industrial sectors and geographical regions, that will help perpetuate China's attractiveness as a place to invest. Macroeconomic drivers – such as continual economic growth, rapid urbanization and an emerging middle class – will improve the earnings of Chinese companies, which will in turn enhance the performance of their ADRs.

The issuer's view

For the issuer, the benefits of an ADR listing are numerous. It improves the company's global image and brand by leveraging the prestige and credibility of a US-listing. Upon completing an ADR IPO, the company makes a firm statement that by listing in the US, it is able to meet the most stringent standards of corporate governance in the world. It also has a positive impact on employee morale, since staff will consider their employer to be a more prestigious company to work for than rivals that are either domestically listed or private companies. The net effect of all these factors is that companies with ADRs can expect a higher valuation premium on their equity.

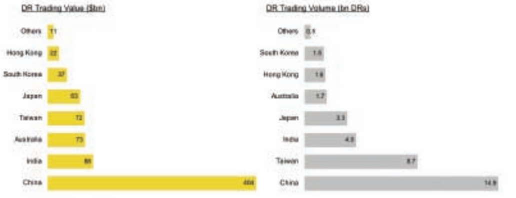
As China's economy continues to grow, we expect to see an increasing number of Chinese companies taking advantage of the US market. These companies will benefit from a deep pool of equity capital, access to the US debt market, and an acquisition currency to pursue M&A deals. The demand for capital, an abundance of liquidity, as well as high levels of corporate transparency are all factors that will promote the growth of the Chinese ADR market.

2009 APAC DR IPO Capital Raising by Country ($mn)



Source: J.P. Morgan, depositary banks, Bloomberg, stock exchanges January 2010

2009 DR Trading Volume Value by Country (APAC)



Source: Bloomberg, January 2010

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