

WORLD STOCK MARKETS

Nasdaq Reaps Asian Windfall

Hong Kong Tech Stocks Aim to Join a More-Receptive Market

By LAURA SANTINI
And KATE LINEBAUGH

CALL IT A NEW FORM of arbitrage: If Americans love technology stocks, and investors in Hong Kong don't, list the shares in the U.S.

Some U.S. investors are looking for ways to get technology companies listed in Hong Kong moved to the Nasdaq Stock Market in the U.S., where a more receptive audience can drive shares to a higher level. Och-Ziff Capital Management, a New York hedge fund, already has begun the process with one company. Investment bank Goldman Sachs Group and Newbridge Capital, a U.S. private-equity fund with offices in Asia, are looking as well, according to bankers and people familiar with their activities.

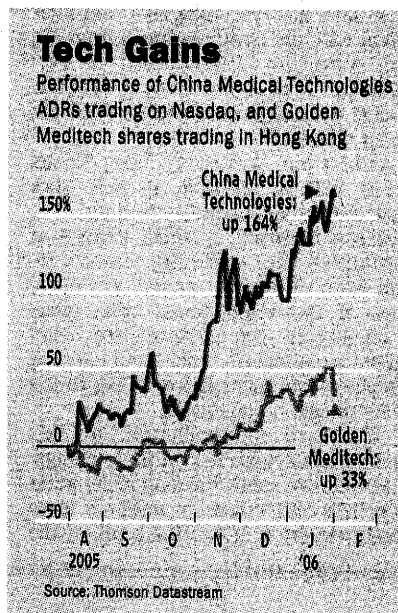
Technology companies in Singapore and Taiwan also are discussing delisting and jumping to Nasdaq, according to David Liu, a banker for Jefferies & Co., who declined to identify the companies.

In December, Francisco Partners, a U.S. technology-focused private-equity shop, did it in South Africa, buying all the shares outstanding of information-technology company FrontRange Solutions and delisting it from the Johannesburg Stock Exchange. Mr. Liu, whose firm worked on the deal, said the company plans to relist on a "more suitable" market.

In Hong Kong, the market is dominated by banking, real-estate and industrial shares. For years, many tech companies, even those with a China angle, have languished in trading here. Meanwhile, private-equity funds, flush with cash, are committing bigger chunks of their capital to Asia and need to put that money to work. The promise of reaping big gains by moving these companies to Nasdaq, where U.S. investors are bidding up China-based enterprises, is a gamble they are willing to take.

Take Superdata Software (Holdings), a Chinese company that went public in Hong Kong in 2003 at 30 Hong Kong cents, or about four U.S. cents, a share. The company, which produces software for small and medium-size businesses, posted a 49% gain in revenue for 2004 from the year earlier. Profits doubled and the share price tripled. When the shares stopped trading last month, the company's market capitalization was about \$100 million.

"We think this company was seriously undervalued," says Superdata founder and Chairman Cen Anbin. At least one investor agreed. To help the company go private, Och-Ziff put up \$50 million for an equity stake of about 40% in a new Cay-



man Islands company that now owns Superdata, called Profit Eagle. Superdata was delisted from Hong Kong's stock exchange last month after a tender offer for its shares was completed.

According to Superdata's filing with Hong Kong regulators, it expects Profit Eagle to go public somewhere else within 18 months, where there is "an alternative, actively traded technology index," though it stops short of saying Nasdaq. In a show of confidence, most minority shareholders opted to take shares in the new venture in exchange for their Superdata stock, rather than accept cash outright.

Meanwhile, Goldman Sachs is talking with two Hong Kong-listed companies about possible deals that would result in relisting on Nasdaq, say people familiar with the talks. In one case, they say, Goldman Sachs and Newbridge Capital are discussing options with Chinese medical-device maker Golden Meditech. Listed in Hong Kong, it operates four separate health-care units and owns 20% of a fifth company—China Medical Technologies—that it split off last year with an initial public offering on Nasdaq. An investment unit of General Electric infused China Medical with an undisclosed sum before the IPO.

While Golden Meditech lumbers along with a \$300 million market capitalization, trading at about eight times earnings, China Medical is now a Nasdaq company valued at \$1.16 billion, more than 50 times the previous 12 months' earnings.

"We think one of the best ways to demonstrate the intrinsic value of our subsidiaries is to have them listed separately," says Viki

Li, Golden Meditech's corporate-affairs manager. Spinoffs often trade at higher valuations than their parent companies.

Goldman and Newbridge hope to carve out additional businesses from Golden Meditech, according to a person familiar with the options under discussion, and are considering putting up capital to take private a unit that makes blood-purification equipment. Goldman and Newbridge would meld that unit with a related business, acquired from a publicly traded U.S. health-care company, and list the new entity on Nasdaq, this person says. A Goldman spokesman and Newbridge declined to comment.

Ms. Li says she isn't aware of specific talks with investors. Kam Yuen, Golden Meditech's chairman, declined to comment through Ms. Li.

Yesterday's Market Activity

European shares climbed as bid speculation surrounding Lloyds TSB as well as German television group ProSiebenSAT1 added to positive corporate news from United Kingdom satellite broadcaster BSkyB. In Asia, Japanese stocks fell after a six-day rally, and Australia hit a record.

Financial markets in Kuala Lumpur, Shanghai and Taipei remained closed for the Lunar New Year.

In LONDON, the FTSE 100 gained 0.7%, or 41.30 points, to 5801.60. Lloyds TSB hit a three-year high, up 5% on media reports the bank may receive a bid from Spain's Banco Bilbao Vizcaya Argentaria. Consumer-products giant Unilever rose 1.4% amid speculation it is a potential target.

In TOKYO, the Nikkei Stock Average fell 1%, or 169.73 points, to 16480.09. Over the previous six sessions, the index had surged 8.4%. Among losers were major department stores Isetan and Marui, as well as Sumitomo Mitsui Financial Group Inc. Telecommunication issues NTT DoCoMo and KDDI also fell.

In SEOUL, the Korea Composite Stock Price Index fell 1.7%, or 23.86 points, to 1375.97, erasing gains over the past five sessions. Exporters posted losses as the Korean won further strengthened against the U.S. dollar.

In SYDNEY, Australia's benchmark S&P/ASX 200 index rose 0.6%, or 27.10 points, to 4956.70, surpassing the previous record close of 4943.40 set Monday, lifted by the banking sector.

Reuters Group PLC is the primary data provider for several statistical tables in The Wall Street Journal, including foreign stock quotations, futures and futures options prices, and foreign exchange tables. Reuters real-time data feeds are used to calculate various Dow Jones indexes.

W
An

TOR

Alca

BCE

Ban

Ban

Bar

Brok

Cam

Canh

Canh

Canh

Canh

Canh

EnCl

Enbr

Falc

Gold

Grea

Hus

IGN

Imp

Ino

Lot

Ma

Ma

Nat

Nex

Nor

Peb

Plac

Pot

Pov

Pov

Rog

Rsr

Ryl

She

Shc

Sur

Sun

TEL

Tali

Tel

Tho

Toro

Tra

Wes

Wes

Wes

Wes

Wes

Wes

Wes

Wes

Wes

Wes

Wes

Wes

Wes

Wes

Wes

Wes

Wes

Wes

Wes

Wes

Wes

Wes

Wes

Wes

Wes

Wes

Wes

Wes

Wes

Wes

Wes

Wes

Wes

Wes