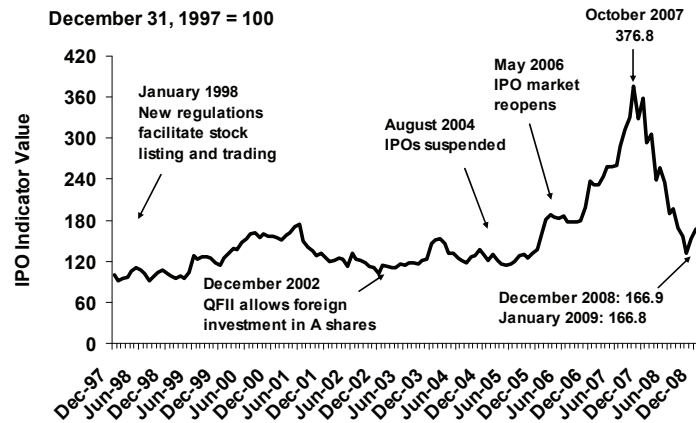


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IPO Indicator Stabilizes in December and January; Still No IPOs

Indicator Value Change

January 2009: 166.8
 December 2008: 166.9
 November 2008: 153.7
 Month-to-month change (December 2008 to January 2009): -0.06%
 Month-to-month change (November 2008 to December 2008): 8.6%
 January 2008: 293.6
 Year-to-year change: -43.2%



Highlights

The Chinese IPO market has been stagnant since October 2008. In the four months from October through January 2009, no new companies went through an initial public offering.

The IPO Indicator increased by 8.6 percent in December, from 153.7 to 166.9. It remains essentially flat from December to January 2009, declining only by 0.1 percentage point, from 166.9 to 166.8. As of the end of January 2009, the indicator stands 43.2 percent lower than it did a year ago, but 26.5 percent from the previous quarter, when it had hit its lowest point in 36 months).

Analysis

Only three of 98 stocks declined in their market value in December. In January, 67 out of 78 stocks saw their market price increase. China South Locomotive (H), China Railway Construction (H) and Xinjiang Goldwind Science & Technology were the three largest contributors to the increase in the indicator value in December, while Zhejiang Hailiang, Guangdong Taipai Co., and Weihua Huadong Automation contributed most to the indicator in January.

Seventy-eight Chinese equities were newly listed on the Shanghai, Shenzhen and Hong Kong stock exchanges in 2008 via initial public offering, compared to 81 in 2006 and 116 in 2007. The total amount raised through IPO was RMB \$87.5 billion, or just one-fifth of the amount raised in 2007. In the last three months of 2008 and the first month of 2009, IPO activities came to a stop, which largely reflects lower credit availability in the market. This has raised concerns as to how to improve access to business finance, especially for small and medium-sized Chinese enterprises.

Methodology

A stock's float-adjusted market capitalization over time forms the basis for indicator calculations. Stock dividends, stock splits, special dividends, share consolidations, repurchases, spin-offs, and combination stock distributions may trigger adjustments to the indicator values. Only companies incorporated and domiciled in mainland China that go public on the Shanghai, Shenzhen, and Hong Kong stock exchanges are included. Companies are dropped from the indicator after twelve months.

Period Coverage and Frequency

New companies are added to the indicator as soon as they are listed, while current companies are removed after twelve months. The IPO Indicator has a base date of December 31, 1997, when the indicator's value was set equal to 100, and covers the period from December 31, 1991, to the present. Values are calculated on a monthly basis.

Sources of Data

The real-time and historical trading data used in the construction of this indicator are provided by Xinhua Finance and Bloomberg; underlying information used to calculate the float ratio is obtained from a variety of sources, including Xinhua Finance's subsidiary Mergent, stock exchanges, regulators, and the companies themselves. Corporate actions are sourced from Xinhua Finance, regulatory filings, and news services.

To view additional information, visit www.milkeninstitute.org/chinaindicators.

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