



Report

Lawrence Pan:Farwell ,Nasdaq

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Record-making achievement of more than 20 billion MV does not change the fate of this former China Chief Representative.

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On April 5th, 2007, **Lawrence Pan** accepted the interview of China Entrepreneur Magazine in the temporary office of Nasdaq Stock Market in Beijing Oriental Plaza. Having just withdrawn from the position of Chief Representative of China and Director of the Asia Pacific Region, Nasdaq, Pan looks relaxed in a **blue** T-shirt.

Two days before, top management of Nasdaq invited the 40 Chinese companies listed on it and rung the Nasdaq opening bell remotely from Beijing. A month ago, the Nasdaq Stock Market appointed Xu Guangxun as its co-chief representative in China, managing the Chinese market together with **Lawrence Pan**. However, Pan resigned days later. According to Nasdaq, Pan left because of the expiration of his two-year term. Some media analyses that, Nasdaq appointed new management for China because **Lawrence Pan** failed to fulfill its strategy of "appealing to non high-tech firms to Nasdaq". Pan said, "It's a misrepresentation."

In the past 28 months, **Lawrence Pan** achieved a lot all by himself. He contended for market with NYSE, SGX, and other foreign exchanges, cleared the misunderstanding rooted in Chinese companies that "Nasdaq is the heaven for only high-tech companies to list abroad" and successfully led 25 Chinese companies to Nasdaq.

Mr.Propaganda

In August, 2004, **Lawrence Pan**, then working in China Department of Morgan Stanley's headquarters in New York, participated the worldwide examination of Nasdaq for the position of Chief Representative of China. After the burst of internet bubble, Nasdaq was ramshackle all over the world????Nasdaq Composite Index slumped from more than 5000 to about 1000; The European and Japanese markets were closed, and the former Chief Representative of China, Huang Huaguo, left his office, where he had served for 6 years.

In order to revive the Chinese market, Nasdaq required candidates to bring forward their strategy and plan for future business while screening for the Chief Representative of China. Pan's answer was definitely outstanding: Chinese companies have to follow the American way in order to list in Nasdaq; in the same way, Nasdaq must root in China and take Chinese characteristics into consideration. The priority is to change its image as a platform only for .COM companies. Short as it were, the 3-page reply was enough to bring Pan the final offer.

In early 2005, **Lawrence Pan** took the helm. He found the situation of Nasdaq in China much worse than his imagination. The former Chief Representative, Huang Huaguo cannot be contacted, so the resources acquired in China in the past 6 years can not be transferred smoothly. Without a business license, he had to borrow a room in Oriental Plaza from another company as the temporary office. In regards of personnel, Pan has only one assistant in China. From then on, Pan lived a tough life with a tense schedule. Work started at 9 am and he had to do the handover with the international department in London and the headquarters in New York respectively at 6 pm and 10 pm every day. In those days, seldom could he gone to bed before 1 am.

The job is challenging physically, but a much tougher problem is facing up to him. Pan has to start from

scratch, clear the misunderstanding of Chinese companies toward Nasdaq, and attract more non-IT companies to it. First of all, he should work as a propagandist, to spread the basic facts that Nasdaq has many other industrial sectors besides high-tech, such as finance, medical industry, manufacturing, and consumer services, as well as many world famous corporations like Starbucks and Volvo Cars. They told the facts not to a single company, but a whole business system.

"The coverage is limited if we simply work on the level of separate companies. Therefore, we first set up a strategic cooperation with a system, such as the company cradle of a university, or the SASAC (State-owned Assets Supervision and Administration Commission of the State Council) and NDRC (National Development and Reform Commission) of provinces with a developed economy, such as Jiangsu and Zhejiang, pursuing for their trust and support. This strategy proved very effective." Pan says. When introducing Nasdaq to the local government, Pan would always make a research report based on the local economic environment, and send the Chinese and English version respectively to the local government and headquarters of Nasdaq.

In the past two years, **Lawrence Pan** has been patiently telling the superiority of Nasdaq over other foreign exchanges and the beautiful blueprint after listing. Since 2005, Pan had more than 500 candidate companies queuing for listing from local governments each year. According to open data, proportion of number of Chinese companies listed on Nasdaq and NYSE are respectively 10:1 and 10:3 in 2005 and 2006. Nasdaq received another 6 Chinese companies in the first quarter of 2007 before Pan's resignation, breaking the record again. **Lawrence Pan** indicated frankly that, the most difficult yet most valuable part of his "propaganda" was the communication with CSRC (China Securities and Regulatory Commission), NDRC (National Development and Reform Commission) and People's Bank of China, for the license to do business in China. In May, 2006, Chairman of CSRC, Shang Fulin, inspected Nasdaq; the latter finally acquired the business license in China on December, 15th.

Director of 20 billion MV

"Propaganda" is just a prelude, and it takes much more efforts than several PPT slides to persuade Chinese companies to choose Nasdaq, which has sunk into valley. **Lawrence Pan** remembers that, the third day after he came back to China, he went to visit Robin Li, President of the Chinese search engine Baidu, and shared his point of view on Robin's book "Business War in Silicon Valley". Pan won Robin's trust with his thoughtfulness and sincerity.

On August 5, 2005, Baidu financed 109.1 million US\$ on Nasdaq, and Robin Li ended the day with a personal stake worth over \$900 million. But for **Lawrence Pan** and his objective to discover as more companies with good performance in traditional industries, a Baidu is obviously far from enough. However, managers of traditional industries always doubt, "we're not virtual economy, and we have thousands of employees and manufactured products. Is Nasdaq good for us?" To eliminate their hesitation, it will prove more effective to get down to these companies than some unconvincing brochure explanations, according to Pan. **Lawrence Pan** is experienced in operations for Chinese companies to list abroad. From 1992 to 2004, he co-founded a securities company in New York, and work in the China department of Morgan Stanley. But his working responsibility has changed a lot as Chief Representatives of China in Nasdaq.

To those potential startups, Pan will remind them to set up legal department of foreign affairs and follow the American Accounting Standards in their financial system as soon as possible, since temporary preparation won't work. Suspicious of the various venture capitals, traditional entrepreneurs are usually afraid of releasing stakes. **Lawrence Pan** then work as a consultant helping them with VC selection and risk prevention. Pan gets extremely nervous at the last moment of a listing. In November, 2005, to win over the opportunity of opening and closing bell ceremony at the Nasdaq MarketSite for Vimicro among more than 3000 newly-listed companies, Pan communicated with the headquarters of Nasdaq with more than 100 e-mails, and made three alternative plans for it, in case of unexpected changes at the last moment.

During his incumbency, Pan directed 25 listings of Chinese companies to Nasdaq, with a total market value of \$20 billion. Non-IT companies took up 50%. Typically, MV of Focus Media has gone up from \$600million in IPO in July, 2005 to the recent \$5 billion. MV of Origin Seed in agriculture and hotel chain Home Inn also increased by four to five times.

Maybe in the eyes of Nasdaq headquarters, **Lawrence Pan** didn't fulfill his job perfectly. In 2006, Suntech in new energy cultivation and New Oriental in education industry left Nasdaq for NYSE at the last moment of their listing, to Pan's great regret. In August, 2005, Suntech originally decided on Nasdaq and had completed the first of the three submissions of audit reports to American Securities and Exchange Commission. In the duration, **Lawrence Pan** kept close phone contact with Shi Zhenrong, board chairman of Suntech, and invited president of Nasdaq to talk with Shi on the phone. However, to his disappointment, at the end of that September, President of NYSE went to Wuxi in person and visited Suntech, and won it over finally. This example just shows a glimpse of the fierce struggle of foreign exchanges for China market. The outside world guesses that, it is the failure in these two battles that offset the appreciation of Nasdaq top management towards Pan. China miracle makes officials of security exchanges expect a miracle forever, so even a record of 20 billion MV was unable to change **Lawrence Pan's** fate in Nasdaq.

Although still missing the past 28 months, **Lawrence Pan** is enjoying the precious holiday and getting used to a normal bedtime, after withdrawal from the position of chief representative and heavy workload. "I like ballroom dancing. I used to dance a lot, once even in the (Silver) East Coast Swing Competition. It's at least two years since my last dance." Actually, Pan is planning to compensate his wife for what he missed before.

List of Chinese companies listed on Nasdaq during **Lawrence Pan's** incumbency

Listed company/stock code	listing date
Hurray! (HRAY)	2005-2-4
Comtech Group, Inc (COGO)	2005-2-23
TechFaith (CNTF)	2005-5-6
Focus Media (FMCN)	2005-7-13
Baidu (BIDU)	2005-8-5
Beijing Yuande Bio-Medical Engineering Co., Ltd. (CMED)	2005-8-10
Origin Seed (SEED)	2005-11-9
Vimicro (VIMC)	2005-11-15
Zhuhai Actions (ACTS)	2005-11-30
GrenTech (GRRF)	2006-3-30
Sorl Auto Parts (SORL)	2006-4-18
BAK Battery (CBAK)	2006-5-31
Beijing Telestone Technologies Cooperation (TSTC)	2006-9-27
HomeInn (HMIN)	2006-10-26
eFuture (EFUT)	2006-10-31
Canadian Solar Inc. (CSIQ)	2006-11-8
Fuwei Films (FFHL)	2006-12-19
Solarfun (SOLF)	2006-12-20
China Precision Steel (CPSL)	2007-1-4
Harbin Electric (HRBN)	2007-1-31
3SBIO INC (SSRX)	2007-2-7
JA Solar Holdings (JASO)	2007-2-7
Xinhua Finance Media (XFML)	2007-3-9
Beijing Yucheng Technologies Ltd (YTEC)	2007-3-14

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