

Shanda Games IPO gets tepid reception

25 September 2009

(AP) -- Shanda Games Ltd., a Chinese video game company, raised \$1 billion Friday in the largest initial public offering of the year.

The company offered more shares than expected, but got a lackluster reception. The shares dropped sharply on their first day of trading.

The IPO price was at the top of the company's expected price range of \$10.50 to \$12.50 per American depositary share. After that debut at \$12.50, the shares fell \$1.75, or 14 percent, to close at \$10.75.

The Shanghai-based company publishes multiplayer online games, such as "The Legend of Mir II," that are popular in China. It had 9.7 million paying users for the April-June period, according to a regulatory filing.

The IPO came during the most active week for IPOs in almost two years. There were seven new offerings in just the past few days, according to Renaissance Capital's IPOHome.com.

Investors largely gave up on new offerings in 2008 as the [stock market](#) dived. Only 43 companies went public in the U.S. last year, down from 272 in 2007, according to Renaissance.

Shanda Games, a [spinoff](#) of the leading Chinese online gaming company, Shanda Interactive Entertainment Ltd., is trading on the [Nasdaq](#) exchange under the symbol GAME. Shanda Interactive is keeping a controlling stake in the company.

Shanda Games said it plans to use the proceeds from its IPO for capital expenses and investments such as acquisitions and joint ventures. The bulk of its capital expenses go into its network infrastructure - servers, software and equipment required to run the games.

It is the second IPO this year for a Chinese gaming company. Changyou.com Ltd. raised \$120 million

in April, selling 7.5 million U.S. shares at \$16 each. Those shares soared 25 percent on the first day of trading to close at \$20.02. Since then the stock has gone as high as \$48.37, and closed Friday at \$37.23.

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