

# Yahoo Finance

## Why Chinese companies still head to U.S. for IPOs despite tensions

<https://finance.yahoo.com/video/why-chinese-companies-still-head-190510352.html>

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"The Chinese companies today remain competitive IPO candidates that are very desired by investors. And to say, 10 years ago, they have choices today which markets to choose. there are several markets in China now, including the new star market, Hong Kong, and each of these markets have their own characteristics. And when you look at the characteristics, as I mentioned earlier, the US in at least my mind still remains the gold standard. Because it has advantages but the other markets still don't have. For instance, the US market has very deep, diversified sources of capital. Number two, able to do add-on rounds, meaning that companies that go public today next year can raise more money. Three, you're raising dollars rather than perhaps renminbi. You get the international recognition from going public on the US exchanges. And to some companies in China, being a US public company actually is an advantage for them running their company in China. now with that said, the Chinese markets are becoming much, much more competitive now. They're transitioning from what I would call an approval based system to a market disclosure based system. So going forward, they're going to become much, much more competitive.

The laws right now and the proposed changes have been varying, so it's tough to exactly put your finger on it. But what I can say is that as long as the door is still open for Chinese companies to go public, then they will. I've said if, for some reason the door is to completely shot on Friday, I'm sure you will see a Chinese company go public on Thursday.

All companies, if you are public have to remain compliant. And the rules I meant

for all public companies, not just Chinese companies are US companies. But looking at from the company standpoint, they would rather raise the money today because they're in need of funds right now. They've gone through Covid, and they're in need of funds right now. So they'd rather raise the funds today and worry about the changes tomorrow and have to wait until tomorrow when the changes are unsure and not be able to raise the money. And Chinese companies, I would add, or not choosing to come here. It's a two-way street they're being brought here, by the investing community. We've just seen over 3 billion raised by the Chinese companies in, The last 10 days just between LI Auto and KE real estate. So there's a tremendous desire among US investors to participate in US. And we've seen with Chinese companies now that they've moved away from this perception of copycat society to really tap tigers. You look at companies like TikTok and WeChat. They're now being perceived by US companies.

Do all the stains it serves many purposes, but two of the main purposes that companies might do it in the situation or, one, given the environment, it provides an alternative source of capital. So if, for some reason, things were to deteriorate in the US markets for Chinese companies, they would still have access to capital. The other thing you always think — it interesting — it was used several years ago, is when you do it to a listing in different markets that have different characteristics, it creates an arbitrage Between the stocks so that if the stock is low in one market and high in another market, it creates that arbitrage in order to increase the stock price, hopefully, if you're in good company. It can go the other way too, but that's a concept between it. So there's some interesting aspects and good things about doing to a listing. And you're seeing more of it right now and I can understand why, and it's principally because of the environment.”

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**ASIAN MARKETS**

NIKKEI 225 (^N225)	23,051.08	↓ -45.67 (-0.20%)
HANG SENG (^HSI)	25,367.38	↑ +20.04 (+0.08%)
SHANGHAI COMP. (^SSEC)	3,451.09	↑ +12.29 (+0.36%)

**WHY CHINESE COS. STILL HEAD TO U.S. FOR IPOs DESPITE TENSIONS**

**THE TICKER**

DOW	NASDAQ	S&P 500
27,807.49	11,204.61	3,391.29

1:19 / 7:09

VQ CC 🔊 🔍

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**WHY CHINESE COS. STILL HEAD TO U.S. FOR IPOs DESPITE TENSIONS**

**THE TICKER**

DOW	NASDAQ	S&P 500
27,810.16	11,208.42	3,391.77

3:26 / 7:09

VQ CC 🔊 🔍