Paradigm Academic Press
Frontiers in Management Science
ISSN 2788-8592
AUG. 2023 VOL.2, NO.4

Analysis of the Economic Consequences of Sina Group's Privatization and Delisting

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doi:10.56397/FMS.2023.08.04

Abstract

The "man-made" Chinese concept stock crisis triggered by Ruixing and the United States has adopted a series of regulatory politicization measures, which has made the situation of Chinese concept stock companies more difficult in overseas markets, and more and more companies have chosen to privatize and delist. This article takes the privatization and delisting of Sina Group as an example. It first describes the process of its privatization and delisting, and then analyzes the reasons for its choice of privatization and delisting from the aspects of undervaluation, enterprise costs, short-selling institutions and regulatory mechanisms. Cost and tax-saving effects, etc. are analyzed for its economic effect after delisting. Finally, by summarizing the case, it is expected to provide useful help to other privatized and delisted Chinese concept stock companies.

Keywords: Chinese concept stocks, privatization and delisting, economic consequences

1. Introduction

Since the end of the last century, China has set off a new trend of going public in the United States. However, with the rapid development of China's economy, this trend has undergone new changes. At the end of the last century, due to the slow development of China's capital market and some institutional defects, domestic enterprises have sought financing in overseas capital markets. The registration system implemented in the U.S. market provides a convenient path for domestic listed companies. The U.S. stock market allows companies to adopt a governance structure of "same share with different rights", which meets the needs of many Chinese companies that want to go public.

Chinese concept stocks refer to all Chinese stocks listed in overseas capital markets. Usually, they are listed in overseas markets, but the business of the company is in China. Early Chinese concept stock companies were welcomed by the U.S. market and investors. However, with the tension in Sino-US relations, in recent years, Chinese concept stock companies have been frequently exposed to financial fraud and repeated short selling by short-selling institutions. As a result, investors have distrusted Chinese concept stock companies, have a poor reputation, and have seriously underestimated their corporate value. At the same time, the domestic capital market has become more and more friendly and perfect in terms of policies for listed companies returning from overseas. Since 2010, companies listed in the United States have started a wave of privatization and delisting. In 2020, Ruixing's financial fraud report once again made the overseas situation of Chinese concept stock companies even more severe. At the same time, the United States explicitly prohibits domestic institutional investors from investing in some Chinese concept stocks through administrative means, which has further accelerated the pace of privatization and delisting of Chinese concept stocks.

The Sina Group discussed in this article received a non-binding privatization offer from a buyer composed of New Wave MMXV Limited, and announced the formal completion of privatization in March 2021. From a practical point of view, Sina Group is the first company in my country to adopt the VIE model to go public in the United States. This move has been imitated by countless companies. Therefore, exploring the motives and economic consequences of Sina Group's privatization and delisting has certain reference experience and reference for the subsequent privatization of Chinese concept stock companies. At the same time, Sina Group issued an announcement in July 2020 to receive the offer, and completed the privatization and delisting in March of the following year. It took only three quarters, which is in stark contrast to the difficulty of delisting for other Chinese companies. Therefore, the exploration of Sina's privatization is more meaningful.

2. Literature Review

There has been a long history of research on privatization and delisting at home and abroad, but the history of privatization in foreign securities markets is longer, the privatization and delisting system is relatively complete, and its theory is more mature than that in China. China's privatization started relatively slowly, but in recent years, with the frequent emergence of privatization cases in China, especially the privatization of Chinese concept stock companies, theoretical research on China's privatization has gradually increased. Some viewpoints put forward by domestic and foreign scholars in recent years are introduced as follows.

Regarding the research on the motivations of privatization and delisting, Grossman, Hart (1980) and Jensen (1989) pointed out that privatization concentrated the company's share ownership, optimized the company's ownership structure, improved the company's management efficiency, and improved the ability to utilize available resources. Lowenstein (1985), Renneboog, Simmons and Wright (2007), Sannajust (2010) pointed out that the purpose of privatization of some listed companies is to improve efficiency and control structure, transfer wealth, avoid hostile takeover, and reduce free cash flow, agency costs, stock transaction costs, etc. Ye Wei (2012), Zhang Yuanyou and Liu Ling (2015), Li Xingjian and Li Guangzi (2017) believe that more and more Chinese concept stocks choose to relist from the US capital market. The main reasons are following: the overall condition of the US stock market is not good; The growth rate of China's economy development is slowing down; foreign institutions are short-selling; the company's stock valuation is low; trading inactivity affects the ability of large shareholders to cash out; post-listing transparency leads to invisible pressure, etc. The research of Tan Qingmei et al. (2020) shows that the decision of whether to privatize and delist Chinese concept stock companies is related to the company's net cash flow status.

Regarding the research on the effects of privatization and delisting, Jensen (1989) and Brown (2012) pointed out that privatization of listed companies can effectively improve the company's incentive mechanism, better complete corporate strategic planning, and achieve the goal of maximizing corporate value. Sarah Al-Moosa (2004) discussed the characteristics and models of privatization and delisting of listed companies in "Governing Insiders Going Private on Inside Information", and pointed out that privatization transactions have the possibility to violate the legitimate rights of minority shareholders and other stakeholders. In the process of privatization and delisting, regulators should strengthen the supervision and control of companies, and require companies to truthfully disclose information that will affect the independence of transactions, such as information on controlling shareholders. Fang Ping and Sun Ting (2007) pointed out that the beneficial financial effects of privatization of listed companies are mainly: reducing tax burden, improving the company's capital structure, effectively reducing agency costs, capital preservation, and avoiding hostile mergers and acquisitions. Negative financial effects are mainly manifested in the increase of the company's financial risk, the damage to the company's reputation, and the damage to the interests of the company's creditors.

According to the above-mentioned domestic and foreign scholars' research, it can be known that scholars have put forward relatively sufficient relevant theories on privatization, and both domestic and foreign research on the concept of privatization have also come to a unified view. In terms of motivations for privatization and delisting, most foreign scholars believe that the motivations for delisting of companies mainly include: improving the equity structure, preventing hostile takeovers, saving tax burdens, and taking advantage of opportunities when the market value of listed companies is lower than its actual value. However, domestic scholars' research on the privatization of Chinese listed companies mainly focuses on the delisting of Chinese listed companies in the United States, and the reasons for their delisting are different from those of foreign scholars. But most of the studies are based on the changes of the US market environment and the underestimation of enterprise value. Research on changes in corporate costs, corporate strategies, and the regulatory environment is still lacking and needs to be further explored. As for the effects of privatization and delisting, the existing researches mostly start from the aspects of corporate strategy and shareholders' interests, and seldom involve privatization costs, tax-saving benefits, and changes in corporate governance, which need to be further explored from multiple perspectives.

3. Analysis of Sina Group's Privatization and Delisting Motivations

Sina Corporation (NASDAQ: SINA) is an Internet company whose core business is SINA.com, which provides online news and content services to Chinese communities in China and around the world; and Weibo.com, which serves microblogs; and SINA Mobile, which provides mobile value-added services; and other services that can provide a wide range of services to a large number of users. The company’s main income comes from online advertising and mobile value-added services, and a small part comes from paid services. In April 2000, Sina became the first company to be successfully listed in the United States through the VIE model, and the VIE model has been used for reference by a large number of companies going overseas for listing. In 2009, with the help of three private equity funds, Sina’s management team acquired approximately 5.6 million common shares of Sina at a price of approximately US$180 million, which became the first MBO case in China’s Internet industry. However, with the intensification of competition in the Internet industry, Sina’s 2019 financial report announced a net loss of approximately US$71 million. This is Sina’s first net loss since 2011, when it has achieved net profits for many years. Its stock closing price also fell from a record high of $122.92 in 2018 to $36.67 before the announcement of the privatization offer.

In July 2020, Sina announced that its board had received a non-binding takeover offer from Chao Guowei and his controlling subsidiary, New Wave MMXV Limited. With the official privatization of Sina in March 2021, Sina, as the first Internet company in mainland China, landed on Nasdaq, and its delisting marked the end of an era.

3.1 The Privatization Method of Sina Group

The privatization method of Sina’s privatization and delisting is a long-form merger. Sina CEO Cao Guowei and his holding subsidiary, New Wave MMXV Limited, acted as the purchaser, using funds borrowed from China Minsheng Bank Shanghai Branch and Hong Kong Branch and equity financing provided by Cao Guowei to purchase the remaining outstanding shares. In this privatization, after New Wave MMXV Limited initiated the privatization offer, it registered New Wave Holdings Limited (a wholly-owned holding company) in the Cayman Islands as the parent company of the merger, and then established New Wave Mergersub Limited (The new wholly-owned Cayman company) as a subsidiary, of which New Wave MMXV Limited is a BVI company controlled by Cao Guowei.

During the merger process, the merged parent company New Wave Holdings Limited and its subsidiary New Wave Mergersub Limited signed a merger agreement with Sina. On the effective date of the agreement, that is, March 22, 2021, the subsidiary merged into Sina will no longer exist, and Sina will continue to exist as a wholly-owned subsidiary of the parent company.

The privatization and delisting process of Sina Group is shown in Figure 1.

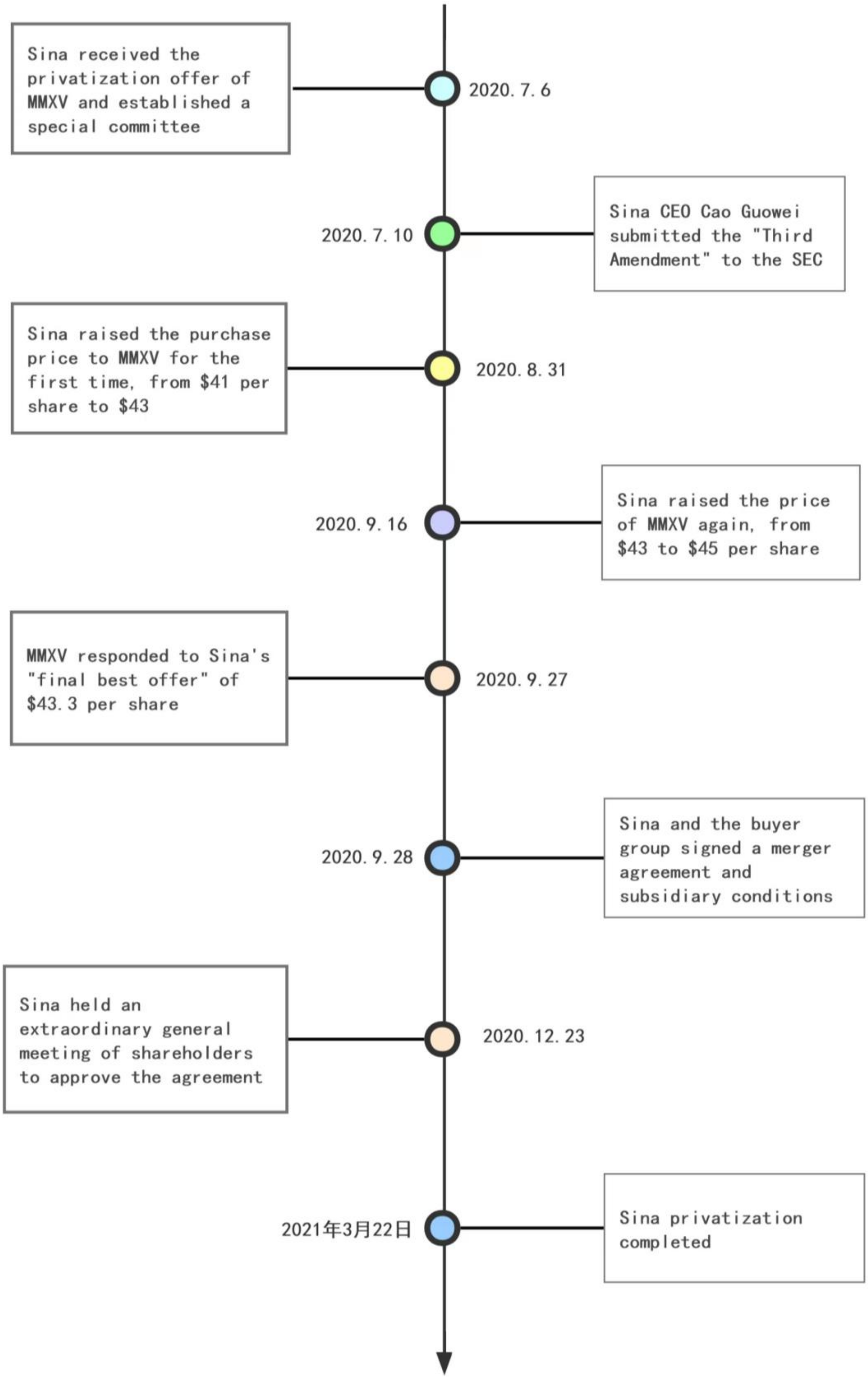

Figure 1. Sina Group’s privatization process

Source: According to the official website of the SEC

3.2 Reasons Behind Sina’s Privatization and Delisting

3.2.1 The Enterprise Value Is Underestimated

Underestimation of enterprise value means that the market value of the enterprise fails to reflect its true value or potential value for some reason. The reasons why the value of Sina Group is underestimated are: the managers of the enterprise have failed to give full play to their management potential and information asymmetry and so on. The Chinese concept stock is listed overseas, but its main business place is in China, which prevents foreign investors from fully understanding the company and causes the company's value to be underestimated.

Sina is listed in the United States, but its business premises are in China, and information communication between the company and investors is not smooth, so investors are more willing to invest in its local companies. At the same time, the cultural differences between China and the United States make it difficult for American investors to recognize Sina's business model and development potential. Therefore, the value assigned to Sina in the US capital market is far lower than its own corporate value.

1) Sina stock value and its profit comparison. A stock is a securities issued by a joint stock limited company to each shareholder in order to raise funds, and thereby obtain dividends and bonuses. The profit of an enterprise reflects the operating results of an enterprise within a certain period of time. Therefore, this article analyzes and compares Sina's stock price over the years and its corporate net profit.

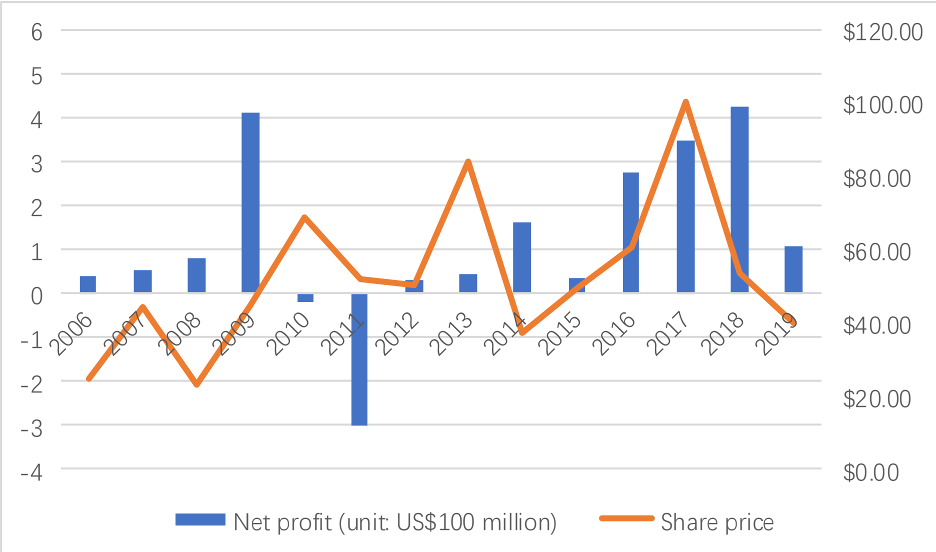

Figure 2. Changes in Sina's stock price and net profit from 2006 to 2019

Source: Compiled according to data from SEC official website and Xueqiu official website

It can be seen from Figure 2 that since Sina's listing in 2000, Sina's stock price has been in a relatively sluggish state, but Sina's overall domestic operations have shown a steady upward trend. Although the net profit was negative in 2011, it also showed a steady growth trend overall. The sluggish stock price is contrary to the steady development of Sina. Sina cannot get effective attention from investors in the US market, and the financing effect tends to degrade.

2) Valuation comparison. The indicators used for valuation of listed companies mainly include price-earnings ratio, price-to-book ratio, and price-to-sales ratio. This article starts with these three data, and analyzes and compares them with the relevant indicators of other companies in the same industry of Sina and the relevant indicators of Sina over the years.

Table 1. Valuation comparison between Sina Group and companies in the same industry

Company Name	July 6, 2020 share price	Price Earnings Ratio (PELYR)	Price-to-book ratio (PB)	Price-to-sales ratio (PS)
Sina	$40.54	-24.99 (loss)	0.91	1.15
Weibo	$39.78	18.31	1.21	5.47
NetEase	$85.06	18.08	3.70	6.53
Tencent	HK$475.8	13.59	3.87	4.86

Alibaba	$240	24.07	1.51	7.75
Three Six Zero	19.98 RMB	44.79	4.59	11.49

Data source: Arranged according to the data on Xueqiu's official website

According to Table 1, compared with other companies in the same industry in China, Sina's price-to-book ratio and price-to-sales ratio are at a low level, and its price-earnings ratio is negative, that is, Sina's net profit is in a state of loss. At the same time, it can be seen from Table 1 that Sina's price-to-book ratio, price-to-sales ratio, and price-earnings ratio are far inferior to its subsidiary Weibo. Moreover, compared with Three Six Zero, which re-listed on A shares after being delisted from the US stock market, Sina is also far below its related indicators. Therefore, it can be seen that its value has always been underestimated.

Figure 3 shows the change of Sina Group's price-earnings ratio and price-to-book ratio from 2012 to 2019.

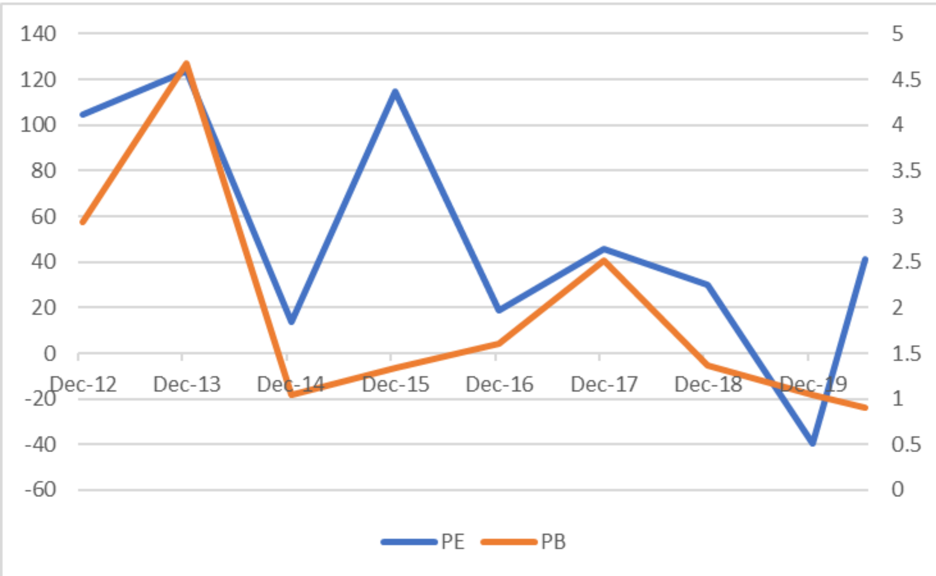

Figure 3. Valuation performance of Sina Group from 2012 to 2019

Data source: Arranged according to Xueqiu official website

From Figure 3, it can be seen that although Sina's PE and PB both reached their peak in 2013, they have generally shown a downward trend since then, and even the two indicators have been negative many times. It can also be seen that Sina's corporate value has been underestimated for a long time.

In addition, if Sina chooses to go privatized when the enterprise value is underestimated, its cost of repurchasing shares will also be reduced, which is one of the reasons why Sina chooses to go privatized when the enterprise value is underestimated.

3.2.2 Reduction of the Enterprise Cost

Sina Group went public in the United States. In order to maintain its listing status, it needs to spend a lot of costs every year to maintain, such as audit fees, tax fees, subscription fees for accounting rules and materials, information disclosure fees, relationship maintenance fees paid to investors, etc. The "Sarbanes-Oxley Act" promulgated by the U.S. capital market in 2002 once again increased the information disclosure requirements for listed companies, causing the annual listing maintenance costs that companies going to the U.S. to pay for listing to rise sharply.

Table 2. Audit, tax and other related expenses of Sina from 2014 to 2019 (unit: thousands of dollars)

Project	Year 2014	2015	2016	2017	2018	2019
Audit fees	2981	3656	3641	3144	3132	3004
Audit related fees	1511	81	77	891	710	436
Tax charges	48	23	23	23	28	27

All other related costs	2	2	2	2	2	2
Total	4542	3762	3743	4060	3872	3469

Data source: Compiled according to the data on the SEC official website

According to Table 2, it can be seen that the listing maintenance costs paid by Sina from 2014 to 2019 reached nearly three million U.S. dollars per year, which is a very heavy financial burden for enterprises.

3.2.3 Adjustment of Corporate Strategy

First of all, after a company goes public, its major business and management decisions need to be resolved by the general meeting of shareholders. At the same time, after listing, the company's stocks can be freely traded, and it is easy to suffer from hostile takeovers. Secondly, companies need to disclose information regularly after listing, and their stock prices are linked to short-term operating results. When executive directors formulate corporate decision-making strategies, they will be influenced by shareholders and the public.

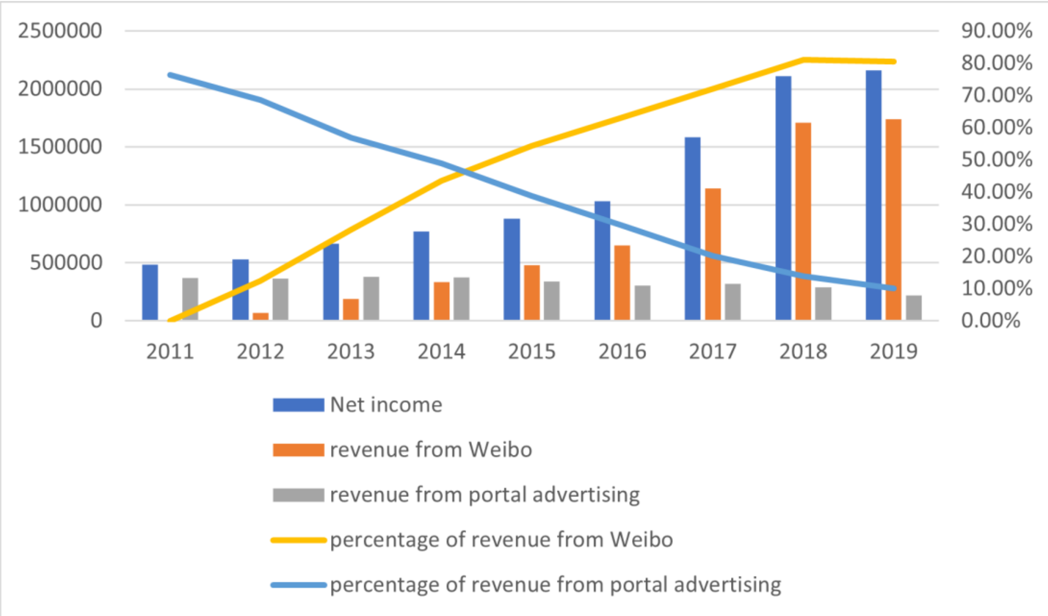

Figure 4. 2011-2019 net income and its main proportions (unit: thousand dollars)

Data source: According to the official website of Xueqiu

As shown in Figure 4, although Sina's overall net revenue is on the rise, Sina's revenue mainly relies on the single model of portal advertising. However, with the establishment and listing of Weibo, Sina's revenue began to tend to Weibo's revenue, and revenue from portal advertising gradually declined, reaching a peak in 2018, and Weibo's revenue accounted for 80% of Sina's net revenue. This also tells Sina that this is one of the reasons why Sina decided to go private.

Since Sina Group went public, it has been actively expanding other businesses, such as wireless, blogs, games, etc., but in the end only Weibo has achieved significant results. In the context of China's Internet era, Sina is one step behind other companies in the field of IM instant messaging, search engines, e-commerce and even short video in recent years. Sina's search service was handed over to the newly formed Baidu shortly after its launch, while various other explorations, including online maps, online travel and games, also failed. These failures reflect the psychological differences between founders and professional managers when making investment decisions.

3.2.4 Potential Danger of Short Institutions

In foreign capital markets, the short-selling mechanism is a very common phenomenon. When there is a problem with the management and information disclosure of a listed company, for example, it does not meet the requirements of US GAAP and Sarbanes-Oxley Act (SOX), or the disclosed operating and financial data are untrue and inaccurate, it will provide short-selling opportunities for Short-selling institutions. They can deliberately distort and exaggerate the facts, maliciously manipulate the stock price, cause the company's stock price to plummet, damage the company's reputation, cause dissatisfaction among loss-making shareholders and even class action lawsuits, cause the management to lose a lot of human and financial resources, and affect the company's development.

With the continuous increase of Chinese concept stock companies listed in the United States, a group of short-selling institutions focusing on short-selling concept stock companies has also emerged. In 2010, Muddy Waters' short-selling of Orient Paper triggered a wave of American short-selling institutions selling short-selling concept stocks. The Ruixing incident in 2020 once again severely damaged the reputation of Chinese concept stocks, further causing investors to reduce their trust in China concept stocks, and seriously weakening the ability of China concept stocks to develop in foreign markets.

3.2.5 Changes in the Regulatory Mechanism

With the global economic downturn in recent years, followed by an "anti-globalization" economy, the main driving force of which is the "Trump phenomenon" in the United States, which promotes the flow of foreign capital into the United States and restricts the flow of American foreign capital into China. In September 2019, the news that "the United States restricts foreign capital from entering China" circulated in the stock market, resulting in a sharp drop in Chinese stocks listed in the United States. In November 2020, the U.S. government issued a ban on domestic investors from investing in what it identified as "Chinese military-related companies," causing index companies such as Forth Rough Rossin to remove some Chinese stocks from the index. In November 2020, the United States passed and promulgated the "Foreign Company Accountability Act (HFCAA)". Companies listed in the United States must prove that they are not controlled or controlled by foreign governments and must comply with the audit guidelines of the US Public Company Accounting Oversight Board (PCAOB). If it fails to meet the requirements of the guidelines for three consecutive years, it will not be allowed to list in the United States, thus increasing the external pressure on Chinese companies listed in the United States. In 2021, the US Securities and Exchange Commission has amended the information registration and disclosure regulations related to HFCAA. On the one hand, Sina's listing in the US market needs to abide by the US legal system. On the other hand, if Sina wants to comply with the auditing standards of the US Government Accounting Standards Board, it must provide it with audit papers. This requires the risk and potential risk of leaking a large amount of user information, and there is a hidden danger that user privacy and national information security will be compromised. This can be said to be not allowed by China's current confidentiality policy. Failure to submit audit papers, however, can cause investors and potential investors in the company's stock to lose confidence in the company's audit process and the quality of the reported financial information. This will have an adverse impact on Sina, and changes in the external regulatory environment will make Sina's situation more difficult.

4. Analysis of the Economic Effect After Sina Group's Privatization and Delisting

4.1 Market Reaction to Privatization

To some extent, the stock price of a company can represent the public's attitude towards the company's recent operating conditions and its major decisions. Therefore, this article analyzes the stock value fluctuation after Sina received the privatization offer, and explores the market reaction to its privatization.

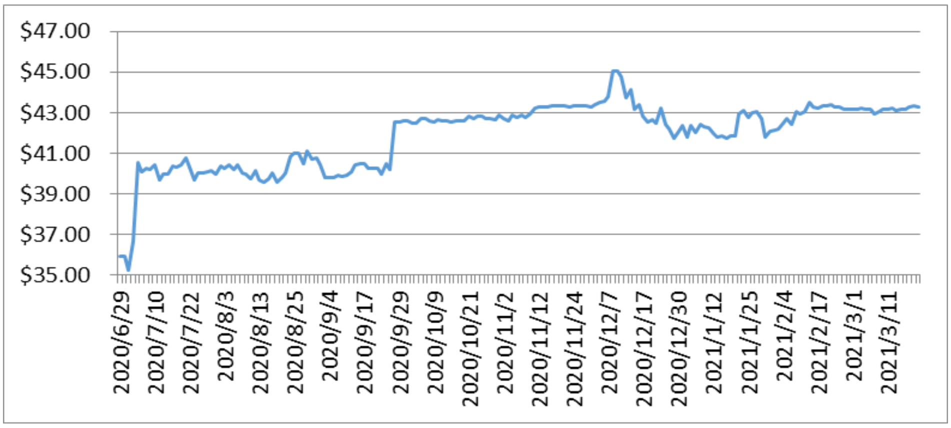

Figure 5. Sina's stock price after receiving the privatization offer

Data source: According to the official website of Xueqiu

After Sina announced on July 6, 2020 that it had received a privatization offer, it can be seen from Figure 5 that

Sina's stock price is generally in a rising state. On the last trading day before obtaining the offer (July 2, 2020), Sina's share price was US$36.67, and rose to US$40.54 on the day it announced that it had received the privatization offer, an increase of 10.55%. All this is due to the benefits brought about by the privatization of the company. Although the increase is not large, it is constantly rising, and finally ended the journey to the United States with a stock price of 43.26 US dollars. All of this proves that Sina's privatization is also of great benefit to Sina's stock.

4.2 Savings in Privatization Costs

Sina entered into its going-private agreement at $43.3, which is about 5.6% higher than the original proposed price of $41. It is also about 18.08% higher than the price of US$36.67 on the last trading day before the privatization (July 2, 2020). Looking back at Sina's trading days in 2019, its highest price was US$68.99 per share, so privatization at this time is cheaper for Sina. And since 2018, Sina's stock price has been falling all the way, from a historical high of $122.92 per share to $28.32 per share on March 17, 2020. At this time, by repurchasing Sina shares at a higher premium, its shareholders will be more willing to sell their shares, thereby achieving the purpose of privatization, speeding up the privatization process, and reducing the time cost of privatization.

Sina's market value in 2019 is approximately US$2.584 billion, and Sina owns 40% of Weibo. According to the documents submitted by Sina to the SEC in November 2020, the valuation of this privatization is only US$2.216 billion, so this transaction is a beneficial transaction for the buyer group.

4.3 Tax Savings from Privatization

LBOs are often used by companies when going private for two main reasons. First, the tax shield effect of leveraged buyouts, that is, high debt increases the company's interest costs, thereby reducing the tax burden and saving a lot of taxes. Second, compared with equity financing, the cost of debt is lower, which can also increase the long-term debt burden and reduce the share of equity in the company's capital structure, thereby reducing the company's weighted average cost of capital and increasing the leverage factor. At the same time, increased leverage is often beneficial when a company's cost of financing is not higher than its return on assets.

During the privatization process of Sina, the buyer MMXV completed the privatization by repurchasing Sina shares through a loan of US$1.248 billion from the Shanghai Branch of China Minsheng Bank and a loan of US$832 million from the Hong Kong Branch. These two loans have greatly increased the company's interest costs, thereby reducing the outflow of earnings, leaving more profits for shareholders, and the tax-saving effect is obvious.

4.4 Corporate Governance

After Sina was privatized, it changed from a listed company to a private company, which solved the problem of Sina's scattered equity since its establishment, improved the level of corporate governance, and reduced its agency costs. The shareholding structure after privatization is shown in Figure 6. The interests of the management and the owner have been effectively improved, and the owner is its operator, which has brought a positive impact on the management and development of Sina. The company's business decisions can be implemented more effectively, eliminating the need for a series of process approvals and other links to make decision-making more flexible. At the same time, Sina's information does not need to be publicly disclosed, which greatly reduces its related costs.

Sina's privatization has strengthened the equity control of Sina CEO Cao Guowei and Sina's management team, bringing many positive benefits to the company's management and operations. First, the company's flatter organizational structure reduces Sina's respective management costs. At the same time, it shortens the barriers to information communication, ensures effective information sharing, and thus improves the overall decision-making ability of the management. Secondly, after privatization, the company has reduced some of the internal institutions previously established to maintain listing, thereby reducing operating costs and improving corporate management efficiency. Finally, the privatization of Sina optimized the company's limited resource allocation, and each subsidiary operated as an independent revenue center. And Sina has truly become the center of the group's resource allocation, has the ability to adjust resources, and can fully tap unused resources to create useful value.

Figure 6. Shareholding structure of Sina after privatization

Data source: SEC official website Sina financial report

5. Conclusions and Recommendations

5.1 Conclusion

With the continuous development of our country's economy and society, the capital market is also maturing. With the complexity of Sino-US relations and the relaxation of domestic policies, it is expected that more Chinese concept stock companies will choose to join the road of privatization and delisting in the future, so the exploration of privatization is of far-reaching significance. This article takes Sina Corporation as a research case, and by analyzing the reasons for its privatization and delisting and a series of follow-up effects, it can provide experience and reference for those companies that are planning to list overseas or privatize and delist from overseas markets. So as to help them make more scientific and reasonable decisions.

5.1.1 From the Perspective of the Motivation of Sina Group's Privatization

From the perspective of the motivation of Sina's privatization, the serious underestimation of the company's value in foreign capital markets is a very negative impact on the long-term healthy development of the company, and it is also an important reason for Sina's choice of privatization. In addition, factors such as high listing maintenance costs, post-listing information disclosure and other factors have an impact on the company's major strategy, the eyeballs of short-selling institutions in the overseas capital market, and the strict requirements of foreign capital market regulatory mechanisms for Chinese concept stock companies are the reasons for Sina to choice privatization.

5.1.2 From the Perspective of the Effect of Sina Group's Privatization and Delisting

Judging from the effect of Sina's privatization and delisting, companies adopt privatization methods when their stock prices are seriously undervalued. Sina repurchases the company's shares at a reasonable premium, which can greatly save the cost of the company's privatization and speed up the process of privatization. At the same time, the leveraged buyout adopted in the privatization transaction can effectively provide a good tax shield benefit for the buyer group. After the privatization of the company, Sina has transformed from a listed company to a private company, and its equity is highly concentrated, which is conducive to corporate governance and the long-term healthy development of the company.

5.2 Recommendations

For Chinese concept stock companies, whether to go public abroad or return to the domestic capital market, they must make choices based on the timing of the market and their own development status. After conducting an exploratory analysis, this article provides some suggestions for the privatization of Chinese concept stock companies.

5.2.1 From the Perspective of the Enterprise

For non-listed companies considering going public in the United States, they need to "think twice before acting." Through the exploration of the Sina privatization incident, this article can find that the situation of Chinese companies going public in the US is not optimistic in the US capital market. After listing, companies need to face various difficulties such as high costs, strict regulatory mechanisms, and short-selling institutions. We should not only see that the threshold for listing in the United States is low. Enterprises should have a clear self-positioning for their own companies, weigh various factors, and maintain a cautious attitude when choosing whether to go public in the United States.

For companies listed in the U.S., when making decisions, companies need to compare the value of the company's industry with their own value from the perspective of market timing, and consider the timing of the company's industry, domestic and foreign regulations and policies. It is necessary to consider whether and when the company will be privatized, and combine it with its actual situation, neither fearing privatization nor blindly following the trend of privatization. At the same time, enterprises should choose privatization partners rationally, choose a reasonable privatization price, and proceed with caution.

5.2.2 From the Perspective of the Capital Market

China needs to further improve and improve China's capital market system, and it is necessary to straighten out the position of each market in the system. In the construction of the capital market, attention should be paid to the hierarchical structure of markets such as the main board, the ChiNext market, and the over-the-counter market, and attention should be paid to the transfer channels between markets at different levels. The system should enable qualified companies to be listed on the appropriate market, and at the same time leave sufficient development space for delisted companies so that the market can play a better role.

At present, China's capital market still lacks laws and regulations on the re-listing of companies that have been delisted. Relevant departments can learn from the experience of mature capital markets, modify and improve the conditions and procedures for delisted companies to re-list, and at the same time strengthen the transfer system between different levels of markets, and improve China's multi-level capital market system.

Fund Project

This research was supported by the 2021 Quality Engineering Project of Guangzhou Huashang College "Internship Base for Off-campus College Students Based on Ideological and Political Integration of Lessons" (Project No.: HS2021KZLGC07); Guangdong University of Finance and Economics Huashang College's 2020 quality engineering project "Intermediate Financial Accounting" first-class course construction project (Project No.: HS2020ZLGC09); Financial Management, a key discipline construction project of Guangzhou Huashang University in 2020 (Project No.: 2020HSXK02); Guangdong Province's 2021 First-Class Undergraduate Professional Construction Project "Financial Management" (Jiao Gao Ting Han [2021] No. 7); The 2021 Innovation and Entrepreneurship Project of Guangzhou Huashang College "The Study of Industrial College Innovation and Entrepreneurship Education based on hierarchy of needs" (Project No.: HS2021CXCY03).

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