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Drew Bernstein, Co-Chair, MarcumBP was featured in 21st Century Business Herald regarding the market outlook for Chinese companies seeking U.S. listings. He reaffirmed his early predictions regarding the anticipated SPAC boom in Asia, and his expertise regarding the IPO prospects for Chinese companies.

21st Century Business Herald

This article was also published on:

Online - 21st Century: [21专访 | 麦楷博平联合主席和联合创始人助·伯斯汀：中国公司赴美上市并未“冰封” 亚洲将成SPAC前沿阵地 - 21经济网 \(21jingji.com\)](https://www.21jingji.com/article/20211119/7bb5b8cb47fd63e841f0dd6705622d91.html)

Epaper website: [21世纪经济报道 - 数字报 \(21jingji.com\)](https://www.21jingji.com/article/20211118/herald/b737dc6514b008b1eaadafee2e5c6b02.html). It was published both online and in print (page 6).

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21 Interview | Co-chairman and co-founder of Marcum BP: Chinese companies' listing in the United States is not "frozen" and Asia will become the forefront of SPAC

Headline quote: “As the world's top two economies, China and the United States still have room for cooperation in the future.”

Wu Bin, reporter of 21st Century Economics Report, Shanghai reports that due to the regulatory policies of China and the United States, the listing of Chinese companies in the United States has almost frozen in recent months, and few Chinese companies have been listed in the United States after Didi.

Drew Bernstein, co-chairman and co-founder of MarcumBP, stressed in an exclusive interview with 21st Century Economics Report that even if regulators increase censorship, Chinese company IPOs are still favored by investors, and small and medium-sized unicorn companies and emerging growth are expected. Model

companies (valued between \$2.2 billion and \$1 billion) will still have the opportunity to list in the U.S. market through IPO or SPAC.

The general background that needs to be noted is that Chinese companies have encountered policy resistance when listing in the United States recently. On August 16, local time, Gary Gensler, chairman of the Securities and Exchange Commission (SEC), posted a video letter on social media explaining the previously issued guidelines for listing the VIE architecture of China Concept Stocks and explicitly suspending such companies from landing in the U.S. stock market.

However, market sentiment has warmed slightly recently. On November 1, Liantuo Biotechnology held an iconic initial public offering in New York, which marked the end of the 4-month freezing period for Chinese enterprises to list in the United States.

For investors, it cannot be ignored that the financing needs of Chinese companies are very strong. According to data from the research institute Zero2IPO, venture capital and private equity investment in Chinese start-ups increased by 75% in the first three quarters of this year to \$1650 billion compared with the same period last year. This amount has exceeded the total investment for the whole year of 2020 and is expected to break the record high in 2017.

As the world's top two economies, China and the United States still have room for cooperation in the future. Bernstein told reporters that at the recent video meeting between the heads of state of the two countries, it is obvious that China and the United States are interdependent. "I see the future of continuous cooperation, especially that American investors are still keen on Chinese unicorn companies, while the United States is still the 'golden standard' for public listing."

MarcumBP is a certified accounting firm of the Accounting Supervisory Commission (PCAOB) of American Public Companies. It has served more than 70 Chinese companies listed in the United States, ranking in the top five audit customer business volume of China Concept Stock. Bernstein pointed out that in order to get a transaction, Chinese companies still need to quickly acquire and maintain investor trust. Financial information must be reliable and well-prepared, with strong corporate governance ability and a strong management team to support efficient transaction processes.



Chinese companies' listing in the United States is not "frozen"

21st century: Lian Bio is the first Chinese company to be listed in the United States since Didi went public in June to raise \$44 billion. What information can we get from it? Which industries are more likely to be popular with American investors?

Bernstein: Investors are interested in technology healthcare, automotive and consumer companies. China's technology companies are creating unique business models and expanding at an unprecedented rate. More than half of the world's more than 800 unicorn companies come from China. Unicorn companies refer to companies that value more than one billion dollars. We expect that small and medium-sized unicorn companies and emerging growth companies (valued at \$2.2 billion and \$1 billion) will still have the opportunity to list on the U.S. market through IPOs or SPAC.

21st century: U.S. lawmakers passed a bill last year ordering Chinese companies that do not meet the U.S. auditing standards to withdraw from the U.S. exchange. What does it mean for Chinese companies listed in the United States? What is the latest trend of regulation in the United States?

Bernstein: All companies listed in the United States must abide by the regulatory policies of the Securities and Exchange Commission. If they want to successfully raise overseas funds, Chinese companies need to strengthen their accounting capabilities. Reliable financial statements and strong corporate governance are essential to win the trust and confidence of investors. At present, the regulatory policy of the United States is consistent with the previous one. If the regulation changes, no matter which country the company comes from, it must comply with it.

21st century: Against the backdrop of increasingly strict supervision in China and the United States, what is the prospect of growing companies listing in the United States?

Bernstein: Even if regulators increase censorship, Chinese companies are still highly competitive IPO candidates favored by investors. Although (the United States) is strengthening regulation, due to a large amount of diversified capital, investor expertise and the potential to build global brands, Chinese companies still go to Wall Street to seek listings.

In addition, SPAC (special purpose mergers and acquisitions) has become an increasingly attractive tool for listing in the United States. As the SPAC boom expands to Asia, we predict that more US SPACs will target Chinese companies for SPAC acquisitions. In addition, we predict that Asian SPAC companies (which have appeared

in Singapore and Hong Kong, China may soon open for SPAC listing) will seek global acquisition opportunities, while also focusing on listing in the United States.

Prospects of Sino-US regulatory cooperation

21st century: What do you think of the future Sino-US regulatory cooperation?

Bernstein: China and the United States are the world's two largest economies, and investors' interest in the Chinese and American markets reflects their strong interest in doing business. At the recent video meeting between the heads of state of the two countries, it is obvious that China and the United States are interdependent. I see the future of continuous cooperation, especially that American investors are still enthusiastic about Chinese unicorn companies, while the United States is still the "gold standard" for public listing.

21st century: In the long run, what impact will the coronavirus pandemic have on Chinese companies planning to list in the United States?

Bernstein: Technology companies in China and other countries are becoming more and more attractive to investors during the pandemic. The U.S. market welcomes all companies that comply with SEC rules, demonstrate strong corporate governance capabilities, develop viable business models and attract investors' interest.

21st century: More and more companies are actively seeking listings in Hong Kong, China. What do you think of this trend?

Bernstein: Chinese companies can choose their own listing locations, such as domestic markets such as Hong Kong or Shanghai, China, or the U.S. market. Due to the diversification of capital sources (in the United States), many Chinese companies that meet SEC standards will first enter the U.S. market, which will enable them to raise additional funds. We have seen that some large Chinese companies seeking a second listing in Hong Kong, China, have done so.

Asia will become the forefront of SPACs.

21st century: Hong Kong, China proposed to change the regulations in September to allow SPAC to go public, but the restrictions are stricter than elsewhere. What impact will this have on global financial markets? Will there be a SPAC boom in China?

Bernstein: Given the focus on innovative technology companies and the need to find the number of SPACs for target companies, Asia will become the forefront of the next SPAC market. More than half of the more than 800 unicorn companies around the world come from China, and more will be more in the future. In fact, U.S. investors are looking for suitable Asian companies to compete to be SPAC sponsors or IPO underwriters. Now, investors are looking for transactions everywhere.

21st century: What are the advantages and disadvantages of SPAC in Singapore, Hong Kong, China and the United States?

Bernstein: The choice of the market depends on the company's goals, including the amount of funds it needs and the target customers. For large companies, the U.S. market still represents the "gold standard" because of its depth of liquidity, market diversification and maturity of institutional investors.

SPAC provides a feasible option for companies to raise funds in a competitive environment, and the opening of SPAC in Asia is a huge opportunity for Chinese companies. The US SPAC is looking for target companies around the world, including China and Southeast Asian countries. Asia's SPAC will also have the opportunity to acquire target companies and provide more choices for companies.

21st century: In the second half of this year, investors panicked and the pace of financing slowed down due to the poor financial performance of many SPACs and the regulatory crackdown of the Securities and Exchange Commission on SPAC disclosure. How will SPAC develop in 2022?

Bernstein: There are still many companies seeking SPAC listing. In fact, the SPAC is expanding from the United States to the Asian market, and the Asian SPAC and the American SPAC are looking for target companies. With the adaptation of the market, regulatory requirements will be introduced in the future, similar to the traditional IPO process.

Some companies are comparing SPAC and traditional IPOs. For Chinese companies, SPAC represents a new source of capital. Through SPAC, companies can achieve a certain degree of price certainty and transaction efficiency.

We expect that SPAC transactions will continue to be conducted in the United States and globally, and will also expand to Asia.

21st century: Are there any other ideas to share with us?

Bernstein: IPO and SPAC transactions are progressing rapidly. To win a deal, Chinese companies still need to quickly acquire and maintain investor trust. Financial information must be reliable and well-prepared, and requires corporate governance ability and a strong management team to support efficient transaction processes.