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## [Marcum Asia To Expand In Hong Kong As U.S.-China Tech War Shifts IPOs](#)

A decade ago, Chinese technology companies looking to show their global influence often chose to go public in the U.S. where older industry icons such as Google and Microsoft traded. Among the Chinese Internet companies to list were Alibaba, Baidu and JD.com.

The U.S. continued to hold its own with aspiring Chinese business following the opening in 2019 of what's known as the Shanghai STAR Exchange under the Shanghai Stock Exchange which was dubbed by some as "China's Nasdaq." Some \$34 billion was raised in IPOs there last year, more than 50% above the Nasdaq and New York Stock Exchange combined. Notable STAR listings to date include Semiconductor Manufacturing International Co. — better known as SMIC — and Hua Hong Semiconductor, two of China's leading chip business.

Yet badly strained political relations between Washington and Beijing between the two sides are leading to more Chinese companies to stay closer to home to list, in part on Beijing concerns about data and foreign access to sensitive technology. That, in turn, is leading the Asia arm of a New York-headquartered, top 20 global accounting firm to eye Hong Kong for its own expansion.

Marcum Asia CPAs LLP, a joint venture between Marcum LLP and Bernstein & Pinchuk, plans to hire up to 25 people before the end of 2023, Co-Chairman Drew Bernstein said in an interview on Tuesday.

The group will join "several" staff now working there under Marcum LLP, which merged with Friedman LLP last year and whose Asia operations are now already managed by Marcum Asia. The combination of Marcum LLP (ranked No. 15 by Accounting Today) and Friedman (ranked No. 33) created a national top-12 accounting firm with approximately \$1 billion in annual revenue.

Bernstein has seen a lot in China. He started auditing firms two decades ago, tracking the ups and downs in the country's emergence as the world's No. 2 economy from an accountant's perch. Marcum Asia has grown to more than 270 staff in Asia, helping

issuers with listings from straightforward IPOs to SPACs. The growing overlap between public listings and national security issues are changing the investment landscape and making fundraising more complex, he said.

“If you think of China's dominant companies today – the Internet companies, solar companies, and the electric vehicle companies, almost all of them have gone public on the Nasdaq or New York Stock Exchange,” Bernstein said.

“But today Chinese IPOs are divided now into security-sensitive and non-security-sensitive, particularly with respect to technology or anything that's been identified by Chinese authorities as strategic,” such as semiconductors, AI, or quantum computing technology. “Any of those are going to be off-limits” for a U.S. listing, he said.

Overseas listings by AI companies in particular will be viewed cautiously by Chinese regulators, Bernstein believes. “At the end of the day, I think you're going to have a Chinese version of AI and a Western version of AI. They're going to have different capabilities, probably different regulatory frameworks, and probably different safety protocols,” he said.

Companies involved in sensitive technology that want to go public will have to choose an A-share listing or Hong Kong listing, he said. “You'll have no other place else to go.”

Hong Kong will prove attractive to mainland companies depending on “the size of the deal and where the (likely) investors are coming from,” Bernstein said. “Hong Kong tends to have more diversified capital markets, because you're working with an open currency,” he said.

Hong Kong expansion will help Marcum Asia with its current bid to expand Asia-wide after it opened an office in Singapore last year. “We find it very challenging for us to hire qualified people across Asia, not just in China. Finding a qualified U.S. CPA in Thailand, Singapore, or Malaysia is challenging. Hong Kong is one of the places that you can find these kinds of qualified people. We want to take advantage of the Hong Kong talent pool,” Bernstein said.

A key question international investors are asking themselves about China today, he said, is whether the country is “uninvestable” or “unavoidable.”

“My answer to that obviously is its unavoidable,” Bernstein said. The country dominates the markets for solar panels, batteries for electric vehicles, electric vehicles, and this year will be the world’s No. 2 car exporter.

“Whether you choose to invest in Chinese equities or not, it’s probably going to have a huge impact on how these sectors evolve. I’ve been through lots of cycles where people fall in love with China, fall out of love with China and fall back in love,” Bernstein said.

“It’s sort of like a pendulum. And it’s going to swing back again. Currently, China has some big social issues – probably the largest is unemployment. And yet China now is producing some of the most educated people in the world. They have youth unemployment stuck at over 20%. And historically, the private sector in China has created some of its most innovative sectors and contributed about 90% of the jobs. Attracting foreign capital is essential for them,” he said. “It’s essential.”