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**EXPANSION OF CHINESE COMPANIES TO EUROPEAN STOCK  
EXCHANGES**

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## LIST OF ABBREVIATIONS

ADR	–	American Depositary Receipt
AIC	–	Akaike Information Criterion
AICC	–	Corrected Akaike Information Criterion
AMEX	–	American Stock Exchange
CAS	–	China Accounting Standards
CDR	–	Chinese Depositary Receipts
CEINEX	–	China Europe International Exchange
CESR	–	Committee of European Securities Regulators
CFFEX	–	China Financial Futures Exchange
CFO	–	Chief Financial Officer
CMU	–	Capital Market Union
CRS	–	Contract Responsibility System
CPC	–	Communist Party of China
CSMAR	–	China Stock Market & Accounting Research Database
CSRC	–	China Securities Regulatory Commission
EBA	–	European Banking Authority
EC	–	European Commission
EC	–	European Commission
ECB	–	European Central Bank
EDR	–	Euro Depositary Receipt
EEA	–	European Economic Area
EEC	–	European Economic Community
EIOPA	–	European Insurance and Occupational Pensions Authority
EMEA	–	Europe, Middle East and Africa
EMMs	–	Estimated Marginal Means
ESA	–	European Supervisory Authority
ESFS	–	European System of Financial Supervisors
ESMA	–	European Securities and Markets Authority
EU	–	European Union
FCA	–	Financial Conduct Authority

FDI	–	Foreign Direct Investment
FSAP	–	Financial Services Action Plan
FSE	–	Frankfurt Stock Exchange
GAAP	–	Generally Accepted Accounting Principles
GDP	–	Gross Domestic Product
GDR	–	Global Depositary Receipt
GEE	–	Generalised Estimating Equations
GEM	–	Growth Enterprise Market
GES	–	Global Equity Segment
GLM	–	Generalised Linear Model
HFCAA	–	Holding Foreign Companies Accountable Act
HK	–	Hong Kong
HKEX	–	Hong Kong Stock Exchange
HQ	–	Headquarter
IFRS	–	International Financial Reporting Standards
IPO	–	Initial Public Offering
LCH	–	London Clearing House
LIFFE	–	London International Financial Futures and Options Exchange
LSE	–	London Stock Exchange
LUXSE	–	Luxembourg Stock Exchange
M&A	–	Mergers and Acquisitions
MAD	–	Market Abuse Directive
MAR	–	Market Abuse Regulation
MiFID	–	Markets in Financial Instruments Directive
MiFID II	–	Markets in Financial Instruments Directive II
MNCs	–	Multinational Corporations
MOFCOM	–	The Ministry of Commerce
MoU	–	Memorandum of Understanding
NYSE	–	New York Stock Exchange
OECD	–	Organisation for Economic Cooperation and Development
PCAOB	–	Public Company Accounting Oversight Board
PPE	–	Property, Plant and Equipment
PRC	–	People’s Republic of China
PSE	–	Prague Stock Exchange

PSM	–	Propensity Score Matching
QFII	–	Qualified Foreign Institutional Investors
QIC	–	Quasi–likelihood under the Independence model Criterion
QICC	–	Corrected Quasi–likelihood under the Independence model Criterion
SASAC	–	Assets Supervision and Administration Commission of the State Council
SEC	–	Securities and Exchange Commission
SEO	–	Seasoned Equity Offerings
SFR	–	Singapore Financial Reporting Standards
SME	–	Small and Medium Enterprises
SOE	–	State’s Owned Enterprises
SPO	–	Secondary Public Offering
SSE	–	Shanghai Stock Exchange
SZSE	–	Shenzhen Stock Exchange
TEU	–	Treaty of European Union
TFEU	–	Treaty of Functioning of European Union
UBO	–	Ultimate Beneficial Owner
UK	–	United Kingdom
US	–	United States of America
VIE	–	Variable Interest Entity
WB	–	World Bank
WDI	–	World Development Indicator
WSE	–	Warsaw Stock Exchange
WTO	–	World Trade Organization

## INTRODUCTION

Raising capital is one of the key elements of business development of a company. The decision to go public is frequently a next step in the growth process. Listing on the stock market not only enables a company to obtain long-term financing, but also strengthens its market position, increases its recognition and improves its credibility in the eyes of investors and stakeholders. In the context of advancing globalisation and growing integration of financial markets, overseas listings are becoming increasingly important by providing access to a broader investor base and allowing the diversification of capital sources. This phenomenon can be interpreted as the next stage in the internationalisation of companies.

The motives behind companies' decisions to go public are complex and can be analysed from both internal and external perspectives. The first group includes factors related to financial condition, development strategy, ownership structure, and the need to raise capital for investment and expansion. Going public allows for diversification of financing sources, increased share liquidity, and improved transparency and credibility of the company. External factors include broadly understood institutional, regulatory and market conditions that may favour or limit decisions to conduct an Initial Public Offering (IPO). These include, among others: the degree of capital market development, the stability of the political and legal environment, the level of investor protection, and access to international institutional investors.

In this context, it is important to recognise the difference between a debut on the domestic market and a foreign listing. While listing on a domestic stock exchange is usually a natural stage in a company's development, the decision to list abroad involves additional considerations, such as the need to increase prestige, obtain a higher valuation or access more advanced financing mechanisms. These differences are particularly evident in the case of companies from emerging economies, for which a foreign stock market debut is not only a way for raising capital, but also part of a strategy of internationalisation and building credibility on global markets.

Amid the ongoing transformation of the global economy, China has emerged as one of the most influential actors, whose expanding economic and political presence shapes the contemporary international order. As a result, domestic companies from Mainland China, i.e. the territory directly administered by the People's Republic of China (PRC), excluding special administrative regions and territories such as Hong Kong and Taiwan, are increasingly seeking

access to international capital markets as part of their broader integration into the global financial system. Chinese companies have been listing on stock exchanges outside Mainland China as foreign companies for several decades. The first international listings of Chinese companies took place in 1990s, when enterprises from China began to appear successively on the stock exchanges in New York, Hong Kong, and London, marking the beginning of their global capital expansion.

For decades, capital, both public and private, was subject to strict restrictions on movement outside China. The Chinese economy operates under a socialist model with market elements, characterised by limited market liberalisation and constrained autonomy for enterprises, which face significant restrictions on their strategic and operational decision-making. The possibility of conducting IPO in China was only created in the early 1990s, when stock exchanges in Shanghai and Shenzhen were established. Initially, only state owned enterprises (SOEs) could take advantage of this opportunity. With the continuing reforms and ongoing privatisation of SOEs, the possibility of conducting IPOs has been also opened up to private entities. Initially, these entities could only sell part of their shares due to the existence of a split share system until 2010, i.e. transferable and non-transferable shares remaining from the privatisation reforms, which significantly limited liquidity and, consequently, the development of the stock market in China. It was only after this time that greater opportunities for companies to raise capital from the capital market in China opened up.

In recent years, however, there has been a growing liberalisation of these mechanisms, enabling Chinese entities to participate more actively in the global capital market (Zeitz, 2025). This phenomenon has progressed with the opening of the Chinese economy to the world, as well as thanks to the global trend of economic and financial globalisation (Li *et al.*, 2019; Zeitz, 2025). Nevertheless, this opening up is gradual, and restrictions remain in place, while the process of opening up the Chinese economy to foreign markets is associated with the increasing internationalisation of state capital (Liu & Dixon, 2021).

The most prominent destinations for Chinese companies seeking foreign listings have traditionally been Hong Kong and the United States (US), therefore companies from these markets have become the primary focus of academic research (e.g., Li *et al.*, 2019; Liu & Li, 2019; Wang *et al.*, 2023). A limited number of studies also examine the presence of Chinese issuers in other financial centres, such as Singapore and London (e.g., Zhang & King, 2010; Xu, 2014; Liu & Li, 2019; Feng *et al.*, 2024). However, the literature reveals a notable gap concerning the determinants of Chinese companies' listings in Europe. Despite more than two

decades of their activity on European stock exchanges, comprehensive research dedicated exclusively to this geographical context remains limited.

Given this research gap, the **research problem** centres on understanding reasons influencing Chinese companies' decisions to choose the European stock markets for listing. Addressing this issue is particularly relevant in light of shifting global capital flows and changing regulatory environments, which have prompted many Chinese companies to diversify their listing strategies by pursuing markets outside Mainland China.

Considering the above, the following **research question** was asked: What are the determinants of Chinese companies entering stock markets in Europe? Identifying the factors influencing Chinese companies' decisions to go public on the European stock exchanges provides valuable information on the mechanisms of financial internationalisation of companies from economies with different institutional frameworks. In the context of advancing globalisation and intensifying cross-border capital flows, analysing the factors determining such decisions is essential for understanding the strategic motives behind expansion into foreign markets. The growing tendency of Chinese companies to seek external sources of financing, including through IPOs on European markets, reflects not only their actions to gain access to capital, but also the influence of broader economic and institutional conditions that direct their strategies for international stock market listings.

The **aim of the study** is to identify the factors determining the listing of Chinese companies on European stock exchanges through the issuance of equity securities on these markets. As China has evolved into the world's second-largest economy and a key player in global trade and investment (Baumann *et al.*, 2024; Joseph, 2024, pp. 16–17), Chinese companies have become increasingly active on international capital markets. Examining motives behind their overseas listings, including in Europe, provides insight into how these companies pursue global ambitions and how interactions between the Chinese system and Western financial institutions shape the contemporary financial order.

To verify the research problem outlined above, in the thesis the following research hypotheses were formulated. Due to their character, they are grouped into a main hypothesis and supporting hypotheses.

The **main hypothesis** is: Non-economic factors are the main drivers behind the expansion of Chinese companies on European stock markets.

The **supporting hypothesis** are classified into two groups: economic and institutional. The **economic hypotheses** concern the analysis of internal factors specific to companies

themselves, including their financial standing, operational results, growth dynamics, and overall business efficiency. These hypotheses were formulated as follows:

**H1:** Chinese companies decide to go public on European stock markets due to high capital demand.

**H2:** The motive for Chinese companies to enter European stock exchanges is access to a wider investor base.

**H3:** Listing on European stock exchanges is a catalyst that facilitates Chinese companies' international operations.

**H4:** Chinese companies' decisions to go public on European stock markets are motivated by a need to increase profitability.

The **institutional hypotheses** refer to the influence of the external environment on companies' decisions to go public in Europe. They are formulated as follows:

**H5:** The quality of the institutional environment of host markets constitutes an important determinant influencing Chinese companies' decision to list in Europe.

**H6:** The institutional environment in China, especially regulatory and political aspects, plays an important role in shaping Chinese companies' decisions to seek listings on European stock market.

The verification of the research hypotheses employs an integrated methodological framework that combines both quantitative and qualitative approaches. Given the specific nature of the hypotheses and the limitations in accessing comprehensive data on Chinese companies, the empirical study was divided into two complementary parts. The hypotheses of an economic nature were verified using econometric modelling techniques, while those of an institutional nature were assessed mainly through qualitative analyses.

The study covers the period 2002–2022. The research sample comprises Chinese companies that conducted IPOs on European stock exchanges, including 59 companies listed abroad (treatment group) and 59 companies that went public on domestic Chinese stock exchanges (control group). The European exchanges included in the study are located in London, Frankfurt, Berlin, Stuttgart, Paris, Brussels, Milan, and Zurich. In addition, robustness tests were conducted for the period 2002–2023, encompassing 68 companies in each group.

The sample was constructed using the Propensity Score Matching (PSM) technique to minimise selection bias and create comparable groups. The quality of the matching was assessed using balance tests and Kernel density estimation. To verify differences between those groups, a parametric and non-parametric tests were employed, including the U-Test, the Mann–Whitney U test, and the Median test. The subsequent stage of the analysis applies the

Generalised Estimating Equation (GEE) method, which allows for longitudinal evaluation of within- and between-group effects, identifying how European IPOs influence key economic indicators relative to domestic listings. Although PSM technique has been widely employed in studies examining the determinants of Chinese firms' listing decisions, the GEE method has not yet been applied in this context.

The methods applied in this thesis to verify the hypotheses of an institutional nature comprise a set of complementary qualitative research methods. These include a critical review of the literature, case study analysis, comparative assessment, press content analysis, and an examination of the institutional environment through selected indices reflecting political, legal and cultural factors. This approach enables a multidimensional verification of institutional hypotheses by integrating empirical data from published by widely recognised institutions with a qualitative assessment of the institutional environment.

The research perspective adopted in this thesis focuses on Chinese companies as individual entities. Although the dissertation includes an analysis of external factors and recognises their significant impact, as part of the broader institutional and economic environment in China, the study is limited to determinants influencing companies' decisions.

The research presented in this dissertation is grounded in a diverse array of sources, combining theoretical insights with empirical evidence. It integrates academic literature, legal acts, statistical reports, and media content, ensuring a comprehensive perspective on the topic. The empirical analysis relies on data from leading databases, including LSEG Workspace, Orbis, the World Bank (WB), The Heritage Foundation, World Federation of Exchanges and Hofstede cultural studies.

This thesis consists of eight chapters, beginning with an introduction and ending with a conclusion that integrates the main findings and theoretical and practical conclusions.

The first chapter presents the architecture of the financial market as a key place for the mobilization and allocation of investment capital. It focuses particularly on the stock market, examining its role in facilitating the flow of resources between investors and enterprises. This chapter introduces the IPO as a critical mechanism through which companies access external funding and enhance their visibility in capital markets.

Chapter two explores the determinants that influence a company's decision to go public, both in domestic and international contexts. It analyses firm-specific characteristics that shape this decision, as well as the impact of external factors, such as the regulatory framework, on that process. By comparing domestic and international offerings, the chapter highlights the strategic considerations that underlie companies' choices when entering public markets.

The third chapter of the thesis concerns the conditions for the functioning of the stock market in China. This chapter presents the political system of China and the role of the Chinese authorities in regulating stock market. Moreover, it includes the legal and institutional conditions, and other issues specific to the functioning of the capital market in China. This chapter also analyses the factors determining IPOs by Chinese companies on the two most popular destinations, i.e. on stock exchanges in the US and in Hong Kong.

The fourth chapter relates considerations on the capital market to the characteristics of the European stock market. This chapter describes recent changes in this market, i.e. the creation of a Capital Markets Union (CMU), the consolidation of stock exchanges and their internationalisation. It also presents the basic institutions supervising the stock market, legal regulations concerning this market, and formal requirements related to the listing of companies on the stock market, both local and foreign. This part particularly focuses on the selected stock exchanges in Europe on which Chinese companies are or have been listed, highlighting their most characteristic features.

The fifth chapter begins the empirical part of this thesis. It presents the scale of Chinese companies' presence on stock exchanges in Europe in 2002–2023. This section provides a comprehensive overview of the identified companies, based on the data collected during the compilation of the company database. The overview aims to provide insights into key characteristics, trends, and patterns within the dataset, thereby offering a solid empirical foundation for subsequent discussions.

Chapter six outlines the research hypotheses and provides an in-depth discussion of the methodological framework employed in the empirical investigation of the factors influencing the presence of Chinese companies on European stock exchanges. This chapter elaborates on the research design, PSM procedure for sample selection, and analytical techniques applied to verify research hypotheses.

The next two chapters present the results of empirical research on the determinants of the presence of Chinese companies on European stock exchanges. Chapter seven is devoted to the analysis of economic factors influencing companies' decisions to enter the public market. This section serves as the stage for testing the research hypotheses of an economic nature, aiming to evaluate the role and significance of internal characteristics in the internationalisation process through IPOs. It provides a systematic examination of the empirical data to determine how these factors impacts the companies' decisions to go public.

Chapter eight focuses on institutional factors shaping decisions regarding listing by Chinese companies. The analysis covers the impact of political conditions, cultural factors and

the regulatory environment. This approach allows to capture a broader dimension of enterprise internationalisation, taking into account the impact of the external environment on companies' decisions to go public. Furthermore, while continuing to frame the discussion within the study of the impact of the institutional environment, this chapter analyses the impact of these factors from the perspective of private companies and SOEs.

## CHAPTER 1

### **The role of financial markets in the mobilization and allocation of investment capital**

#### **1.1. The architecture of the financial market**

##### **1.1.1. The definition and functions of the financial market**

The financial market is a distinct and essential segment of the economic system in which funds flow from entities with a surplus to those with a deficit. It encompasses an extensive array of transactions conducted through various financial instruments that serve as vehicles for short-, medium-, and long-term credit. Therefore, this market functions as a basic platform facilitating the flow of investment capital and is a key element of the economic system. While it generates information necessary for price formation, it also provides infrastructure supporting the activities of various market participants (Sekhar, 2020; de Haan *et al.*, 2020, pp. 5–6).

The complexity of modern financial markets is highlighted by the diversity of financial instruments, the heterogeneity of issuers and advanced mechanisms facilitating transaction processes. These markets operate within a comprehensive legal framework comprising numerous generally applicable regulations and soft law principles, which together govern the organisation, operating procedures and standards of conduct for various markets, instruments and institutions (Moloney, 2023, pp. 13–15).

The architecture of financial markets is also characterised by a division into various sub-markets, each of which is associated with separate categories of financial instruments (Fabozzi & Jones, 2019, p. 10). The most significant of these are the money and capital markets. The further division of the money or capital markets into segments depends on the type of the offered instruments, i.e. financial and money-market instruments.

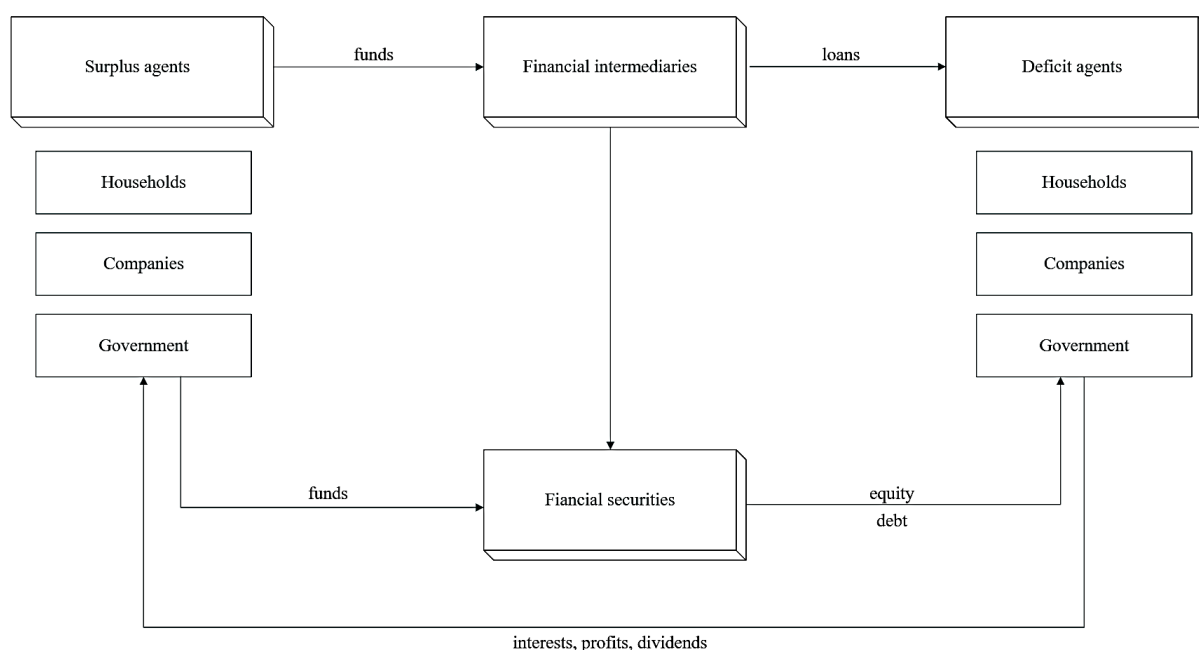
In the literature review, a financial instrument is presented as a contract that establishes financial relationships between parties. This relationship establishes a set of economic rights that simultaneously function as assets for one entity and liabilities for another (Sergakis, 2018, p. 22; Ralph *et al.*, 2009). These rights are transferred under agreements between borrowers and lenders, which govern the transfer, use and repayment of funds (Ralph *et al.* 2009, p. 6).

The legal definition of the financial instrument is provided in the European Union (EU) legislation. The Directive 2014/65/UE<sup>1</sup> in the Section C of Annex I contains the list of financial instruments. It includes mainly transferable securities, money-market instruments, options, futures, swaps and derivative instruments. The above definition refers to the understanding of a financial instrument in the formal sense. In narrower terms, a financial instrument is also sometimes used in the literature to refer generally to securities (Moşteanu, 2019, pp. 124–125).

The above-mentioned directive also distinguishes the definition of the money-market instruments. According to the Art. 4 sec. 1 point 17 the money-market instruments are classes of instruments which are normally dealt on the money market, such as treasury bills, certificates of deposit and commercial papers and excluding instruments of payment.

Financial instruments and money market instruments facilitate the circulation of money in the economy from surplus entities to deficit entities (Pilbeam, 2018, pp. 3–5; Hillier *et al.*, 2023; p. 4). A number of different entities participate in these flows, exchanging money with each other, as shown in Chart 1.1.

Chart 1.1. The financial flow in the economy

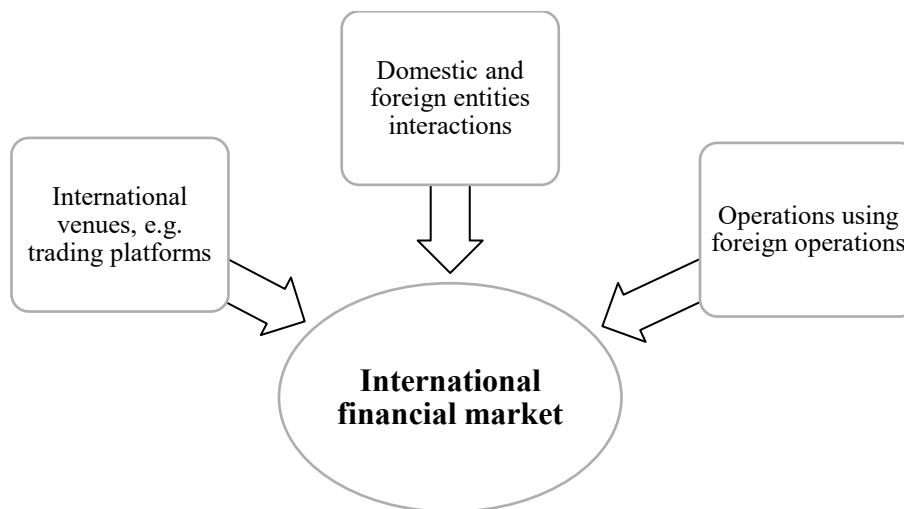


Source: own elaboration based on Pilbeam, K. (2018). *Finance & Financial Markets*. Palgrave, p. 4.

<sup>1</sup> The list of financial instruments is specified in the Section C of Annex I of the Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU.

Nowadays, the circulation of funds exceeds the border of only one economy and involves many entities acting beyond their domestic markets (Pilbeam, 2018, pp. 11–13). Therefore, in defining the financial market, it is also necessary to refer to the international financial market or global financial market (Fabozzi & Jones, 2019, pp. 12–13), which are an integral part of the global financial system (Kevin, 2022, p. 1). According to the definition provided by Kevin (2022, pp. 1–5), international financial markets should be presented by three features as presented in Chart 1.2.

Chart 1.2. The characteristics of the international financial market



Source: own elaboration based on Kevin S. (2022), *Fundamentals of international financial management*, ed. sec., PHI Learning, Delhi, pp. 1–5.

The first characteristic refers to institutions in which there is a meeting (real or virtual) of entities entering into financial transactions which are of a transnational nature. This meeting can take place within the framework of selected national markets, which have the appropriate, infrastructure, capitalization size, volume of trading in financial instruments, etc. The place of execution for transactions between market participants from different regions of the world can also be virtual platforms, which in this case mainly play the role of an intermediary in international transactions. The second feature refers to the place where capital is offered and demanded by domestic and foreign entities, having respectively its surplus or shortage. The third feature – defines international financial markets as markets where operations in foreign currencies are carried out, mainly by foreign entities.

From a functional point of view, international financial markets are not clearly separate markets, but they are a transnational platform formed by global institutions. In these markets,

typically, participants are exempt from the regulations of their countries and must submit to the legal regime of the country in which a particular transaction is made (Kevin, 2022, pp. 1–5).

The financial market performs many important functions in the economy (Fabozzi & Jones, 2019, pp. 9–10). As the main function of the financial market may be considered the facilitation of transfer of funds from entities that hold them to entities that make demand for them at a specific price (Bai *et al.*, 2016; Pilbeam, 2018, pp. 35–37). The transfer of these funds can take place directly (e.g., the purchase of shares in the private market) or indirectly with the participation of professional institutions operating in this market.

The literature details several other functions of the financial market. One of the most fundamental being the allocation of savings in the economy (Fabozzi & Jones, 2019, pp. 9–10; Shveta & Surendra, 2021, p. 19). Households invest their savings in institutional investors such as investment funds. These funds are then used by institutional investors to finance the purchase of securities issued by companies. Investors place their funds in financial instruments that give them the greatest guarantee of a return on their investment (Laopodis, 2020, pp. 8–9). Thanks to this mechanism, there is a flow of funds in the economy from areas with less development potential to the area that offers the greatest chance of a return on investment. In this market, there are actors who are characterised by a higher propensity to risk and actors who are very balanced in their investment decisions (e.g., banks). Financial markets thus provide a platform for the appropriate allocation of capital in the economy (Hillier *et al.*, 2023, p. 4).

The literature review identifies capital mobility and mobilisation as another fundamental function of financial markets (Bai *et al.*, 2016). Financial markets facilitate a more efficient allocation of resources in the economy by encouraging economic agents to shift from current consumption to investments that generate future returns. Financial markets therefore provide an organised trading mechanism through which financial instruments can be bought and sold and capital can be raised and then used for investment purposes (de Haan *et al.*, 2020, pp. 10–12). They also ensure that transactions can be executed on agreed terms, thereby increasing the security and predictability of financial flows. Financial markets offer a wide range of instruments through which accumulated capital can be converted into specific financial assets, providing investors with flexible investment opportunities. The level of development of a given market is therefore closely linked to the diversity of instruments it offers. As noted in the literature, greater diversity of available instruments contributes to more effective risk management, as investors can diversify their portfolios and tailor their exposure to their risk preferences (Gaudecker, 2015; Lallang, 2024). This does not imply an absence of high-risk instruments, but rather reflects the market's ability to provide flexibility in structuring asset

portfolios, allowing investors to tailor financial instruments to their desired level of risk exposure (Laopodis, 2020, pp. 8–9).

One of the key additional functions of financial markets is the increase in the exchange of information about market participants. The offering of financial instruments on organised markets compels issuers to disclose extensive information regarding both the characteristics of the instruments and their own organisational and legal standing (de Haan *et al.*, 2020, pp. 8–12; Shveta & Surendra, 2021, p. 19). Moreover, financial markets ensure the public disclosure of prices for a wide range of instruments, thereby enabling investors to compare available products and assess the relative position of individual issuers (Bai *et al.*, 2016). This process facilitates more accurate valuation of entities and their capital, contributing to greater transparency and efficiency in the market. In addition, the observation and analysis of investor behaviour provide further valuable insights into the financial condition and expectations of market participants.

### **1.1.2. The classification of the financial market**

The financial market as the one of the markets in the economy, has the same kind of market mechanisms where the following elements are present: product, price and actors determining supply and demand. Based on the above mentioned elements, financial market can be classified for many ways, however the criteria constituting such classification are connected with type of the financial instruments, method by which the price is determined or the market participants for supply and demand sides.

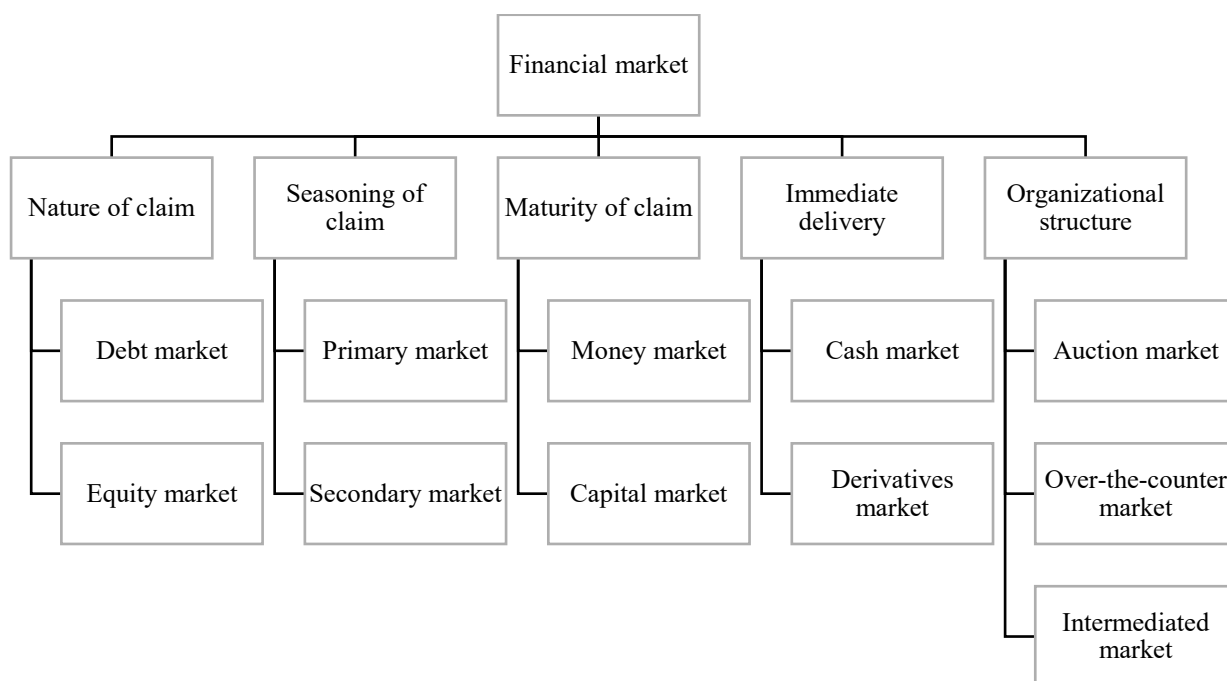
The most popular classification of the financial market is the division of financial market on two operational segments – money and capital market. There are several criteria for the classification of the above-mentioned division (Sahai, 2020, pp. 31–32):

- a) time, i.e. the period when the financing entity manages the gathered funds,
- b) type of financial instruments,
- c) intermediaries – there are stock exchanges for capital market, while in money market there is no fixed market,
- d) link between the entities – for money market is a link between lenders and borrowers when for capital market investors and issuers play the main role.

However, the architecture of financial markets is more complex and multidimensional structure. It comprises a network of institutions, market mechanisms and regulatory frameworks which together facilitate the trading of financial instruments, the transfer of funds from surplus to deficit entities, and the continuous valuation of financial assets. This systemic structure is characterised by a division into separate but interrelated segments, including money markets,

capital markets, foreign exchange markets and derivatives markets. Each of these segments is linked to specific types of financial instruments and market participants, thus ensuring the comprehensive and effective functioning of the financial ecosystem at both the national and international levels (Fabozzi & Jones, 2019, p. 10). The classification of the financial market based on the above criteria is presented in Chart 1.3.

Chart 1.3. The classification of the financial market



Source: own elaboration based on Fabozzi F. J. & Jones F. J. (2019), *Foundations of Global Financial Markets and Institutions*, fifth ed., The MIT Press, Cambridge, Massachusetts, London, England, p. 10.

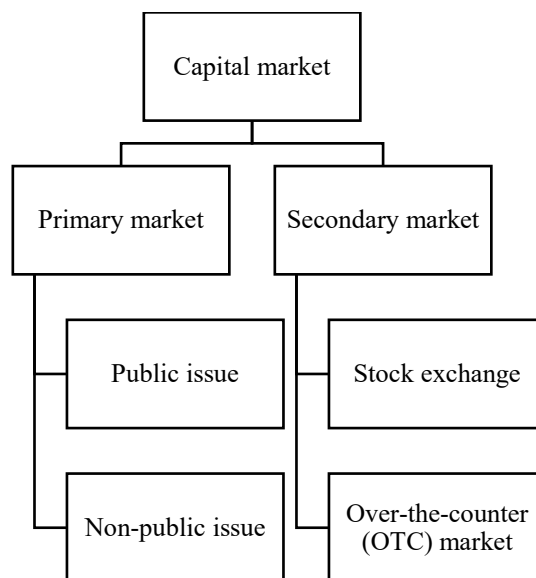
In view of the theme of this thesis, particular attention will be focused on the capital market. The capital market is a fundamental element of the financial system, serving as a platform for the medium and long-term allocation of financial resources (Pilbeam, 2018, p. 5). In this market transactions involving financial instruments are concluded with a maturity of more than one year (Sekhar, 2020, p. 469; Parameswaran, 2022, p. 12). This feature distinguishes the capital market from the money market, where money turnover is more fluid and does not exceed one year (de Haan *et al.*, 2020, p. 150).

The capital market enables the effective mobilisation of capital by connecting entities with surplus funds, such as households and institutional investors, with entities in need of financing, including enterprises and public institutions (Hillier *et al.*, 2023, p. 3). Through the issuance and trading of equity and debt instruments, the capital market facilitates both primary capital formation and secondary market liquidity, thereby supporting investment, economic

growth and innovation (Sergakis, 2018, p. 22). This market operates within a structured institutional and regulatory framework designed to ensure transparency, protect investors and maintain financial stability (Pilbeam, 2018, p. 13–14). Furthermore, the capital market plays a key role in financing entrepreneurs through continuous asset valuation and dissemination of information, contributing to effective risk and capital pricing (Hillier *et al.*, 2023, p. 3).

The object of trading on the capital market are securities that a detailed overview is provided in the following subsection. The capital market is characterized by segmentation. The classic division of the capital market is presented in Chart 1.4.

Chart 1.4. The classification of the capital market



Source: own elaboration based on Sergakis K. (2018), *The Law of Capital Markets in the EU: Disclosure and Enforcement*, MacMillan Corporate & Financial Law, p. 22 and Hillier, D., Grinblatt, M., & Titman, S. (2023). *Financial Markets and corporate strategy: European edition*. McGraw-Hill Education (UK) Ltd., p. 63.

The primary market is the part of the capital market where newly issued securities are sold by agents and acquired for the first time by investors (de Haan *et al.*, 2020, p. 148). In this market, transactions are carried out between issuers and investors. In the primary market, companies can issue securities repeatedly. It is dependent on the situation in the capital market and the capabilities of the issuing company itself (Parameswaran, 2022, p. 20). The entities can issue securities either in the form of a public or non-public issue. A public issue is directed to a large and indefinite group of investors. The second form of offering securities, i.e. non-public issue, refers to an offer to sell these instruments to a specific, small number of investors.

The secondary market is the place of trading the securities (de Haan *et al.*, 2020, p. 148). Thus, issuers do not occur in this market anymore, and transactions executed in this market are

concluded between investors. In fact, this market enables current valuation of securities and provides opportunities for trading in these securities (Parameswaran, 2022, pp. 20–21). Therefore, it is the place where the supply of capital (on the part of investors) and the demand for capital (on the part of securities issuers) are concentrated. It is pointed out that the existence of an active secondary market is a very essential feature of the financial market (Pilbeam, 2018, p. 34).

Notably, it is important to note the different functions that these two markets perform. The primary market is primarily aimed at mobilizing capital by transferring savings from investors to entities that need this capital (issuers). The secondary market, on the other hand, performs the functions of transforming these securities into cash or other financial instruments (Paramaweran, 2022, pp. 20–21).

## **1.2. The structure and functioning of the stock market**

### **1.2.1. The stock market as a venue for regulated securities trading**

The stock exchange is an organized platform where investors can buy and sell financial assets under clear rules and supervision. It ensures that transactions take place in a transparent, orderly, and reliable environment. The object of transactions concluded at the exchange is fungible goods, although the prices in these transactions are determined based on the existing demand-supply relationship, and then announced to the public (Slimane, 2012, p. 51; Petry, 2020a, p. 254). Considering the above, it can be stated that an exchange is a formalized market, where transactions are concluded at a specific place and time for a price announced to the public by participants, who are bound by strict rules for concluding these transactions.

The legal definition of a regulated market has been introduced into the European legal order. According to the Art. 4 sec. 1 point 21 of the Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (recast), hereinafter called MIFID II, ‘regulated market’ means a multilateral system operated and/or managed by a market operator, which brings together or facilitates the bringing together of multiple third-party buying and selling interests in financial instruments, in the system and in accordance with its non-discretionary rules, in a way that results in a contract, in respect of the financial instruments admitted to trading under its rules and/or systems, and which is authorised and functions regularly.

Petry (2020a, pp. 257–258) indicates that two ways of organizing a stock exchange can be distinguished worldwide. The first, found among others in the US and the United Kingdom

(UK), involves the establishment of an exchange by entities interested in creating such a market. These entities can be intermediary trading companies, such as brokerage houses or global exchange group (e.g., Nasdaq, London Stock Exchange (LSE) Group). The second way of establishing an exchange requires obtaining permission from a state authority. A stock exchange operates on the basis of generally applicable regulations adopted in a given country, which determine the rules of its operation (Slimane, 2012, pp. 54–57). The legal aspects of the operation of capital markets in Europe are presented in Chapter 4.

Furthermore, stock exchanges can take various forms of ownership and organisation, depending on the legal, historical and strategic objectives of a given market. Some of them operate as private, profit-oriented companies, as is the case with the New York Stock Exchange (NYSE) or the London Stock Exchange (LSE), while others remain under state control or with a dominant shareholding of the state, which applies, among others, to the Warsaw Stock Exchange (WSE), Borsa Istanbul or Saudi Stock Exchange. Contemporary capital markets are also characterised by a growing trend towards consolidation and the creation of transnational stock exchange structures aimed at increasing liquidity, reducing transaction costs and strengthening competitiveness in the global financial market (Hillier *et al.*, 2023, p. 7). An example of this process was one of the largest mergers in the history of capital markets, i.e. the creation of Euronext in 2000, which led to the creation of the second largest stock exchange in Europe.

The stock exchange divides into segments. There are two basic segments of the stock market – the main market and the alternative market. The main market is characterized by higher requirements than the alternative market (Slimane, 2012, pp. 54–57). This market lists only the largest companies with an established reputation and a dispersed shareholding. The main market is characterized by high liquidity and high turnover of companies' shares. The essence of the alternative market, therefore, is to allow companies that do not meet the higher admission conditions to issue securities. It should be noted, however, that the aforementioned division, does not occur on every stock exchange. Exceptions include the NYSE, where there are no differentiated entry rules, as companies that are unable to meet the more restrictive requirements can issue securities on American Stock Exchange (AMEX) (Petry, 2020a, pp. 257–258).

In developed market economies the stock exchange is the basic element of the capital market (Slimane, 2012, p. 51; Petry, 2020a, p. 257). The main parameter determining the size and attractiveness of an exchange is its capitalization, i.e. the total market value of all securities traded on the exchange. The stock exchanges are diversified around the world in terms of

development (Dodd, 2013, p. 77). These exchanges compete among themselves to achieve the highest possible capitalization value. In order to obtain this value, the exchanges attract as many domestic and foreign companies and investors as possible (Mäntysaari, 2021, p. 285).

The development of the stock market in an economy is most frequently measured by examining the capitalization of the stock market to Gross Domestic Product (GDP). It is indicated that the more developed the financial market is, the higher the level of the capitalization-to-GDP ratio. As Prats & Sandoval (2020, p. 3) point out, the first publication examining this relationship appeared as early as 1969. Nowadays, this measure is called the Buffett Indicator. According to the data provided by the MacroMicro (2025), this indicator has been reaching values above 100% almost continuously in the US since the beginning of the 21st century, and as of 1st of January 2025 the Buffett indicator stands of 200.6%. The Buffett Indicator for European countries is presented in Table 1.1.

Table 1.1. The Buffett Indicator for European countries in 2020–2025

Country	2020	2021	2022	2023	2024	2025
Switzerland	246.3	266.4	234.5	220.9	224.0	230.0
Sweden	161.8	209.7	173.7	160.7	174.2	172.6
Denmark	148.7	176.3	162.5	188.3	216.5	147.0
France	91.8	109.3	100.5	104.0	101.7	99.8
Finland	99.7	119.0	97.4	92.0	94.9	99.3
United Kingdom	104.1	113.6	96.6	89.0	87.0	87.8
Netherlands	83.3	109.5	87.9	85.8	87.7	84.0
Norway	72.9	81.3	70.5	77.4	75.5	73.9
Belgium	64.1	69.3	61.2	59.2	59.6	70.7
Germany	54.4	62.7	50.9	51.5	52.5	58.0
Spain	46.5	49.7	42.6	42.8	46.5	54.1
Greece	20.7	24.7	24.3	29.5	33.3	40.0
Italy	30.3	32.5	28.1	27.8	31.0	36.9
Austria	25.9	34.1	30.1	28.0	28.8	32.2
Portugal	30.0	33.2	32.6	30.1	26.8	26.0
Poland	22.5	28.3	21.2	21.7	23.4	25.9
Ireland	23.9	25.6	18.4	18.9	14.4	14.0

Source: own elaboration based on MacroMicro (2025). *Buffett indicator*. <https://en.macromicro.me/cross-country-database/buffett-indicator> (access as of 15.09.2025).

The data shows that the Buffett Indicator varies significantly between countries, reflecting the structure of their economies and capital markets. In the US, as mentioned above, it reaches around 200%, in Switzerland it exceeds 230%, while in the Scandinavian countries, i.e. Sweden (172.6%) and Denmark (147%), it remains at a high but moderate level. The high

values in these countries may be related to the global reach of listed companies, developed financial institutions and strong integration with the international market, and not necessarily to market overvaluation. Compared to most continental European countries (80–120%), these results reflect the maturity and international nature of the financial systems in the US, Switzerland and the Nordic countries.

The role of a stock exchange is perceived by its functions. The stock exchange has three main functions in the economy: allocative, valuation and control. In addition to these three basic ones, it is possible to point out the functions of better risk diversification, stimulating a willingness for savings, educational, and the function of creating opportunities for privatization of enterprises and their restructuring (Giofré, 2021; Mäntysaari, 2021, p. 285). However, the three functions indicated above are the primary ones.

The allocative function of the stock exchange facilitates the efficient allocation of capital by providing a platform for the issuance and trading of financial instruments, thereby enabling investors to participate in wealth creation (Mantysaari, 2021, pp. 269–270). On the stock market, for those who have surpluses, there is a conversion of savings into financial assets (securities). In turn, for those seeking savings, this is where securities are issued and sold to investors. The transformation of these assets (i.e., cash into financial assets) benefits for market participants (Mantysaari, 2021, pp. 269–271). The stock market currently plays a key role in the process of financing business activities, constituting an important supplement to traditional internal sources of capital, which have historically dominated the financing structure of economic entities (Hillier *et al.*, 2023, p. 4).

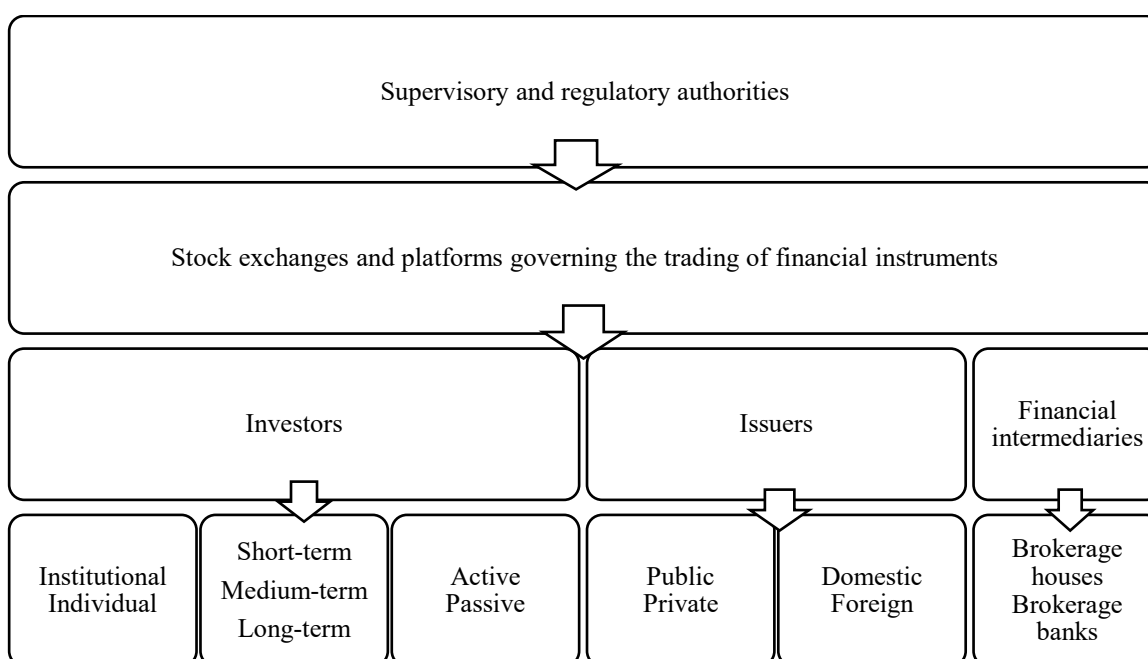
The valuation function of the stock market, in turn, involves the valuation of the securities offered on that market. In a macroeconomic perspective, the determination of the valuation of specific financial instruments of companies operating in different industries of the economy, simultaneously evaluates the companies themselves and the value of capital in these industries. Petry (2021), points out that the stock market is an institution playing an important role in making valuations of the capital of companies.

The third function discussed, i.e. the exchange's control function, involves creating conditions for shareholders to exercise efficient corporate governance (Petry, 2020a, pp. 258–259). The stock exchange, operating in a legal regime, imposes a number of information obligations on both investors and issuers, aimed at increasing transparency. The implementation of this function can also include the fact that the transactions that are carried out on this market are devoid of credit risk, i.e. the risk that the parties to these transactions will not fulfil the obligations associated with them (Moloney, 2023, pp. 1–4).

### 1.2.2. Entities constituting the stock market

The classification of capital market participants requires consideration of both their functional roles and their position in relation to the supply and demand for capital. Within the framework commonly accepted in financial literature, market participants are systematically divided according to their motives for engaging in capital transactions (Brandimarte, 2018; de Haan *et al.*, 2020). This classification distinguishes three main categories: investors, issuers and brokers. This tripartite structure reflects the dynamic interaction between different entities that underpins the proper functioning and stability of modern capital markets. Moreover, among entities constituting the stock market institutions that regulate and supervise financial markets as well as institutions that organize trading in securities should be also mentioned (Mazzocchini & Lucarelli, 2023, pp. 15–16). The overview of different groups is presented in Chart 1.5.

Chart 1.5. Entities constituting the stock market



Source: own elaboration based on Fabozzi, F. J. (2025). *Capital Markets, sixth edition institutions, instruments, and risk management*. MIT Press, p. 75.

The first category of entities shown in the chart above includes supervisory authorities, which play an indispensable role in the functioning of capital markets. These authorities were established to ensure the stability, transparency and integrity of the financial system (Fabozzi, 2025, p. 75). Their main role includes developing and enforcing legal standards governing market activity, managing licensing systems for financial service providers, and ongoing monitoring and assessment of market participants' compliance with the legal and regulatory

framework (Sergakis, 2018, pp. 35–36; Mazzocchini & Lucarelli, 2023, p. 15). Thanks to these mechanisms, supervisory authorities act as guardians of market discipline and investor protection, ensuring the smooth functioning of the capital market within the established legal boundaries (Moloney, 2023, pp. 20–26).

In addition to supervisory authorities, the capital market is also influenced by entities that facilitate and organise the trading of financial instruments (Fabozzi & Jones, 2019, pp. 56–58). These institutions do not trade on their own account or acquire assets on their own account, but focus on providing the infrastructure and operating environment necessary for the proper functioning of transactions. Their functions include intermediation in trading, managing securities portfolios on behalf of clients, clearing and settling transactions, and providing advisory and support services. By coordinating the flow of market transactions and contributing to the efficiency and liquidity of financial markets, these institutions are an integral part of the architecture of modern capital market systems (Moloney, 2023, pp. 347–351).

Investors are market participants whose main motive is to generate profits through the purchase and subsequent sale of securities. Characterised by surplus capital, investors seek to allocate their resources in a way that maximises growth, profits or risk-adjusted returns, depending on their strategic orientation (Laopodis, 2020, pp. 7–8; Moloney, 2023, pp. 107–108). The literature distinguishes several dimensions according to which investors can be classified, allowing for an understanding of their role and behaviour in the capital market. One of the commonly used criteria is the scale of capital and professionalism of management. Based on this division, private and institutional investors can be distinguished. Private investors are natural persons, including households and non-professional entities, whose purpose is to invest financial surpluses (Laopodis, 2020, pp. 7–8). In contrast, institutional investors are pension funds, insurance companies, investment funds and other collective investment instruments. These entities usually have a greater influence on the company due to their capabilities and expertise (Laopodis, 2020, pp. 7–8; Bukalska *et al.*, 2023; Fabozzi, 2025, pp. 62–63).

Another key axis of differentiation is the investment horizon, with participants divided into short-term, medium-term and long-term investors, each with different objectives, risk tolerance and decision-making frameworks (Chohan & Kerckhoven, 2023, pp. 76–78). Short-term investors are often motivated by speculative gains, while long-term investors focus on sustainable value growth and income generation. In addition, an additional classification criterion is the origin of the invested capital, which divides investors into domestic investors allocating resources in their country of residence, foreign investors, directing capital to

international markets, and globally recognised international institutions whose activities extend beyond national borders and often influence global capital flows (Sergakis, 2018, pp. 25–28).

An academic discourse further refines investor types based on form of participation on active and passive investors (Wermers, 2019). Strategic investors typically seek control and operational synergies by acquiring significant stakes in target companies, while financial investors primarily seek to diversify their portfolios and maximise financial returns. This multidimensional classification highlights the structural diversity and heterogeneity of investor behaviour in contemporary capital markets, explaining the mechanisms by which capital surpluses are transformed into productive investments and the broader implications for market dynamics and stability (Haddad *et al.*, 2025). The classifications of investors presented above are not exhaustive, and additional categories can be identified based on further distinguishing criteria.

Another key group of stock market participants are issuers, i.e. entities wishing to raise capital through the capital market. Various public and private entities may act as issuers of securities. These include, governments, financial institutions, companies and public authorities. In relation to the subject of this dissertation, the analysis of issuers as entities issuing securities will focus on corporate issuers, i.e. legal entities that most often offer their securities on stock exchanges (Veil, 2022, pp. 251–253).

Corporate issuers play a key role in the functioning of capital markets, as their activities are directly linked to the processes of international market integration and the factors influencing companies' strategic decisions to issue securities at home or abroad (Sergakis, 2018, pp. 23–25). Understanding the characteristics, motivations and behaviours of these entities is therefore essential for analysing both the dynamics of global capital flows and the factors determining cross-border listings. A more detailed discussion of the characteristics and classification of corporate issuers is presented in the following sub-section (1.2.2).

Analysing the last group of capital market participants presented on Chart 1.5, financial intermediaries are a fundamental element ensuring the efficient functioning and stability of the financial system. These institutions provide services to both investors and issuers, filling the gap between entities with surplus or in need of capital (Fabozzi, 2025, p. 69). Thus the primary function of financial intermediaries is to facilitate the optimal allocation of financial resources in the economy, increase market liquidity and promote investment activity (Brandimarte, 2018, p. 48). Financial intermediaries cover a wide range of institutions, including commercial and investment banks, brokerage houses, investment and pension funds, insurance companies and specialised financial companies (Moşteanu, 2019, pp. 124–125). Their activities are strictly

regulated and require authorisation from supervisory authorities, which ensures investor protection and the integrity of financial markets (Veil, 2022, pp. 251–253).

The functioning of intermediaries is closely linked to the implementation of two key principles governing the operation of capital markets: the principle of mandatory intermediation by brokerage houses in securities trading and the principle of exclusivity of investment firms in intermediation in financial instrument trading. The first principle stipulates that, with few exceptions, securities transactions must be carried out by licensed brokerage entities, which guarantees transparency, security and regulatory oversight. The second principle recognises the exclusive right of investment firms to broker profit-generating securities trading on behalf of clients (Sergakis, 2018, pp. 32–33; Fabozzi, 2025, p. 69).

Beyond their transactional role, financial intermediaries perform broader systemic functions, contributing to market efficiency, risk transformation and financial stability. They reduce information asymmetry between issuers and investors through market analysis, ratings and advice, thereby mitigating adverse selection and moral hazard. In addition, intermediaries increase market liquidity by maintaining active trading and providing price discovery mechanisms. In recent years, the role and structure of financial intermediaries have evolved significantly as a result of technological innovation, regulatory reform and financial globalisation. The implementation of MiFID II in the EU has redefined the scope of permissible activities for investment firms, increasing transparency and investor protection, but also imposing higher compliance costs (Moloney, 2023, pp. 2–6). At the same time, the development of fin-tech companies and online trading platforms has introduced new forms of intermediation. This poses a challenge to traditional brokerage models, while increasing retail investors' access to capital markets.

### **1.2.3. Securities on the stock market**

One of the fundamental instruments of the financial market are securities. Securities embody subjective rights (claims), so they are carriers of the incorporated right and the value that this right represents (Moloney, 2023, pp. 105–106).

The legal definition of securities is embodied in Art. 4 sec. 1 point 44 of MiFID II. According to this provision securities means those classes of securities which are negotiable on the capital market, with the exception of instruments of payment, such as:

- a) shares in companies and other securities equivalent to shares in companies, partnerships or other entities, and depositary receipts in respect of shares;

- b) bonds or other forms of securitised debt, including depositary receipts in respect of such securities;
- c) any other securities giving the right to acquire or sell any such transferable securities or giving rise to a cash settlement determined by reference to transferable securities, currencies, interest rates or yields, commodities or other indices or measures.

In the past, securities existed in physical, paper form, which served as tangible proof of ownership or entitlement. However, with the ongoing digitisation of financial markets and the development of electronic trading systems, this traditional form has been largely replaced by dematerialised securities. In today's practice, securities are represented usually as electronic entries in securities accounts maintained by authorised institutions (Vicari, 2021, p. 106; Parameswaran, 2022, p. 42). This change has fundamentally transformed the concept of ownership, as physical certificate ownership has been replaced by registration in an electronic system, which ensures both efficiency and transparency of trading.

Securities can be financial or commodity based. Financial securities represent monetary claims of their holders and include instruments such as shares, bonds, bills of exchange and cheques (Laopodis, 2020, p. 5). Commodity securities, on the other hand, serve as documents enabling the sale of specific commodities traded on organised markets, including bills of lading or warehouse receipts (Duque, 2020, pp. 65–82).

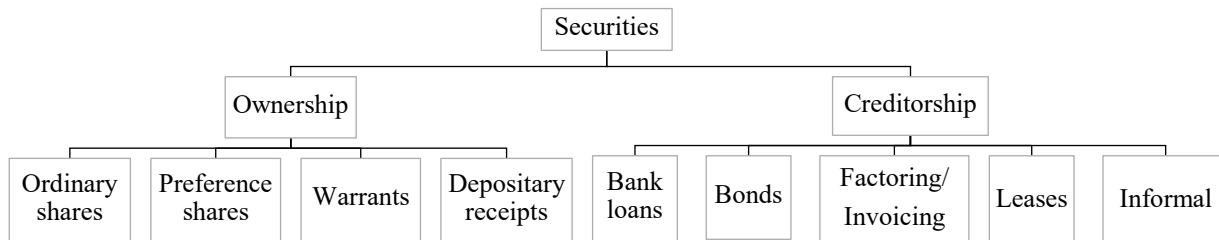
Securities perform several key functions in the financial system. Their capital function enables companies to raise funds for specific economic purposes, while their credit function allows capital to circulate in the economy within a specific time frame. The guarantee function serves to secure transactions, and the circulation function facilitates the transferability of financial instruments. In addition, securities can perform a payment function, enabling the settlement of liabilities, and a legitimisation function, identifying entities entitled to specific property rights (Brandimarte, 2018, pp. 22–24; Vicari, 2021, pp. 105–106).

The securities are a complex group of financial instruments, which can be classified differently depending on the division criterion adopted. The basic division refers to the division of securities into two groups – ownership securities and creditorship securities (see Chart 1.6). This criterion is distinguished by the type of rights contained in securities (Sahai, 2020, p. 33).

Debt securities are financial instruments that represent monetary claims. In the case of such instruments, the issuer acts as the debtor and the holder becomes the creditor. The most representative forms of debt securities are bonds (Sahai, 2020, pp. 41–42). Bonds are issued in series, confirming the issuer's debt to the bondholder and the obligation to make a specific payment (Laopodis, 2020, pp. 5–6; Bergstresser, 2023, p. 307). The issuance of bonds in series

means that each unit represents an equal share of ownership rights, providing identical rights to all bondholders. The main function of bonds is to provide credit for a specified period, enabling issuers to use the borrowed funds to finance their activities (Sahai, 2020, pp. 41–43).

Chart 1.6. The classification of the securities



Source: own elaboration based on Sahai, I. M. (2020). *Financial Market Operation*. SBPD Publishing House, p. 33, Hillier, D., Grinblatt, M., & Titman, S. (2023). *Financial Markets and corporate strategy: European edition*. McGraw-Hill Education (UK) Ltd., pp. 5–6.

Bonds can be classified according to several criteria. According to the type of issuer, a distinction can be made between government bonds, municipal bonds and corporate bonds (Laopodis, 2020, pp. 5–6; Bergstresser, 2023, p. 307). Based on their interest rate structure, bonds are divided into fixed-rate, floating-rate, indexed and zero-coupon instruments, while in terms of maturity, they can be short-term, medium-term or long-term. In addition, bonds can be issued domestically or abroad and can be denominated in different currencies, which has led to the development of international bond markets. Within this framework, researchers distinguish between foreign bonds, which are issued by non-residents in the currency of the host country. Recent literature also refers to Eurobonds, which are issued in a currency other than that of the market in which they are offered, and global bonds, which combine the characteristics of both previous categories as they are traded simultaneously in multiple jurisdictions (Kim & Kim, 2020, pp. 186–188; Shapiro & Hanouna, 2019, p. 359; Fuster *et al.*, 2023, p. 331; Gurkaymak *et al.*, 2023, pp. 136–139).

Equity securities provide ownership rights and rights to participate in the company’s decision-making process and profits. Their issuance involves the transfer of both property and corporate rights to investors, who thus become shareholders of the issuing entity (Laopodis, 2020, p. 5). Equity instruments involve a higher level of investment risk compared to debt securities due to their dependence on the issuer’s performance and market valuation (Shveta & Surendra, 2021, p. 20). The main types of equity securities are shares and deposit receipts.

Shares represent ownership interests in the issuing company and entitle their holders to a proportional share of profits, as well as various corporate rights, such as voting rights and participation in decision-making processes (de Haan *et al.*, 2020, p. 166). They can be understood both as a percentage of the share capital and as a legal title covering all the shareholder's rights towards the company (Vicari, 2021, pp. 105–106). Shares have a nominal value, reflecting the shareholder's share in the company's capital, as well as an issue value, determined during the subscription process, which cannot be lower than the nominal value. Their market value, on the other hand, varies depending on trading dynamics and investor sentiment (Sahai, 2020, pp. 34–35).

Shares may be traded internationally. Depending on the place of issue and denomination, researchers distinguish between euro and global shares. The euro shares are denominated in euros and issued outside the issuer's home country within Europe. In contrast, the global shares are traded simultaneously on several international stock exchanges and are denominated in multiple currencies, with settlement processes handled by international settlement systems (Shapiro & Hanouna, 2019, pp. 336–337).

A separate but increasingly important category of equity-related instruments are depositary receipts. Their origins date back to 1927, when they were first introduced in the US as a means of facilitating the purchase of foreign securities by domestic investors. Depositary receipts represent ownership of shares issued by companies based abroad and allow investors to gain exposure to foreign markets without direct participation in them (Mantysaari, 2021, p. 648; Parameswaran, 2022, p. 37). There are several forms of depositary receipts, including American depositary receipts (ADRs) issued in the US, global depositary receipts (GDRs) traded on international markets such as London or Luxembourg, and euro depositary receipts issued in Europe (Sekhar, 2020, pp. 471–473).

Depositary receipts offer significant benefits to both issuers and investors. They provide issuers with a mechanism for raising capital in foreign markets and increase their visibility among international investors, often serving as a first step towards full cross-border listing (Mantysaari, 2021, pp. 650–655). For investors, they broaden the range of investment opportunities available and offer a degree of risk mitigation, as depositary banks thoroughly verify the credibility and financial condition of issuing companies before listing them. As a result, depositary receipts serve as a key instrument in the process of global financial integration, connecting domestic and international capital markets and facilitating cross-border investment flows.

### **1.3. Initial Public Offering (IPO)**

#### **1.3.1. The definition of IPO**

An IPO is a process whereby a private company offers its shares to the public for the first time, becoming a listed entity. It is one of the most important mechanisms for companies to raise external capital, allowing them to increase their visibility and diversify their ownership structure (Kesten, 2018, p. 27; Caselli & Negri, 2021, pp. 317–319; Tenca *et al.*, 2021, p. 59; Brown *et al.*, 2024).

In the capital market, securities are issued and offered to a wide audience and then subscribed to by buyers for the first time. A public offering involves a special type of exchange which is a conversion of securities for capital. A company issuing securities on the primary market is the beneficiary of the funds obtained from the public sale of those securities. After the initial sale of securities, the primary market ceases to exist for such securities (de Haan *et al.*, p. 169). The issuing of the securities is also related to the entry to the strictly organized security market (Moloney, 2023, pp. 101–103).

A legal definition of a public offering has been introduced into the European legal order. According to Article 2(1)(d) of Regulation (EU) 2017/1129 of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (Official Journal of the EU, L 168/12, as amended), hereinafter referred to as the ‘Prospectus Directive’, a public offer of securities means any communication addressed to the public, in any form and by any means, containing sufficient information on the terms of the offer and the securities offered to enable an investor to decide to purchase or subscribe for those securities. This definition has remained virtually unchanged in European law since 2003, when the Prospectus Directive was introduced (Moloney, 2023, p. 103).

The definition of public offer worded above highlights two key elements of an IPO, which allow for a better understanding of its essence and functioning on the capital market. Firstly, an IPO is the first public offering of securities issued by a company. This means that only when the company is listed on the stock exchange do the financial instruments become available to a wide range of investors, and the company gains the opportunity to raise capital from the public market. This stage is important not only from the point of view of the company itself, which gains funds for development and investment, but also for investors, who gain access to new investment opportunities (Brown *et al.*, 2024).

Secondly, an IPO is associated with the principle of equal rights for investors in the process of acquiring financial instruments. Every investor participating in a public offering has

the opportunity to purchase shares on the same terms, which creates a transparent and fair investment environment. This equality is crucial to ensuring the integrity of the capital market and investor confidence in stock exchange processes, as it eliminates favouritism towards selected entities and allows a wide range of participants to share in the potential returns on investment (de Haan *et al.*, 2020, p. 169).

Companies may place existing shares on the public market or offer new shares as part of an IPO (Espinasse, 2022, pp. 1–2). In the first case, we are dealing with a so-called direct listing, in which existing shareholders – most often founders, private investors or venture capital funds – decide to sell part of their shares to a wide range of investors (Caselli & Negri, 2021, p. 327; Brown *et al.*, 2024). This type of offer does not lead to an increase in the company's share capital but allows existing owners to partially or fully realise profits from previous investments (Engelen *et al.*, 2020a). As an example of this offer is IPO of Aston Martin on LSE in 2018 (Guardian, 2018). The last research regarding the European market shows that direct listing getting more and more popular among companies. As going public as direct listing is less risky for the company itself, it is getting more insecure for investors (Brown *et al.*, 2024).

In the context of capital markets, a subscription offer represents a primary issuance, whereby a company issues additional securities and offers them to investors for the first time (de Haan *et al.*, 2020, p. 169). The purpose of such an offer is to raise new capital, which may be used, among other things, for the development of operational activities, financing investments, foreign expansion or debt repayment. The issue of new shares leads to an increase in the number of shares in circulation and often results in the dilution of the shares of existing shareholders. However, this is compensated by an inflow of new funds and an increase in the liquidity of share trading (Engelen *et al.*, 2020a; Casselli & Negri, 2021, pp. 317–319).

In practice, companies often decide to combine both forms – some of the shares offered are existing shares, while others are newly issued. This solution allows the company to raise capital and provide existing shareholders with an exit from their investment, while maintaining an attractive offer structure for investors (Khurshed, 2011, p. 7).

Each subsequent issue of securities by a company that has already been listed on the stock exchange is called a Seasoned Equity Offering (SEO) or Secondary Public Offering (SPO) (Kim & Weisbach, 2008; Meluzin *et al.*, 2012, p. 27; Espinasse, 2022, pp. 4–5). Such offerings take place after a company's IPO and are an important mechanism for raising additional capital from the market. Through SEOs, companies can issue new shares to finance further growth, strategic acquisitions or debt reduction, while improving their capital structure and market visibility (Hillier *et al.*, 2023, p. 63).

Unlike an IPO, which introduces a company's shares to public trading for the first time, an SEO takes place when a company is already listed on a stock exchange and has an established market valuation. These offerings can take various forms, including primary shares offerings, in which new shares are issued to raise fresh capital for the company, or secondary shares offerings, in which existing shareholders sell their shares to other investors (Sosnowski, 2015). Therefore, IPOs are a key corporate financing instrument, enabling listed companies to strengthen their financial position, increase liquidity and signal confidence in their long-term prospects to the market.

### **1.3.2. Issuers of securities**

A company's decision to go public depends on a combination of various factors including internal ones. Ownership structure is one of the most important factors influencing the propensity to IPO. Research shows that private companies are generally less inclined to go public than subsidiaries controlled by already listed parent companies, as the latter can leverage their reputation, experience and economies of scale to reduce the costs of going public (Larrain *et al.*, 2021). Nevertheless, as Sekhar and Lukose (2022) in their study of Indian companies, the relationship between ownership structure and the likelihood of going public depends on the context: in some business groups, the internal capital market replaces external capital financing, thereby reducing the incentive to go public.

Company size also plays a key role in IPO decisions. Larger companies are more likely to go public due to greater market visibility, established reputation and lower perceived investment risk (Pagano *et al.*, 1998; Adamúz & Rivas, 2018). However, there are notable exceptions, as some large private corporations deliberately avoid going public in order to maintain control and confidentiality. Empirical evidence presented by the European Commission (2020) confirms that larger IPOs tend to take place in developed economies, while smaller companies dominate emerging markets. Company size therefore serves not only as an indicator of reputation, but also as an indicator of information transparency and investor confidence (Chemmanur & Fulghieri, 1999).

Another factor determining the propensity to conduct an IPO is the maturity of the company. Mature companies that have already explored internal and debt financing options often turn to public markets as part of a sequential financing process (Geddes, 2003; Da Rin and Hellmann, 2020). However, research conducted in emerging markets suggests that younger, fast-growing companies may opt for an IPO earlier to finance their expansion (Adamúz & Rivas, 2018; Sekhar & Lukose, 2022). Cross-country analyses show that companies in

developed economies tend to go public at an earlier stage in their life cycle than companies in emerging markets (European Commission, 2020).

IPO activity is also influenced by industry affiliation, with technology-oriented companies showing a much greater propensity to go public than companies in traditional sectors, due to the capital intensity and dependence on innovation in these industries (Honjo, 2021). Data provided by PwC (2024) show that due to the development of solutions involving Artificial Intelligence (AI), companies achieve the highest valuations. Therefore, it is possible that young, private companies developing groundbreaking solutions in the field of AI will increasingly appear on public markets in order to obtain external sources of financing in the near future and the sector will continue to maintain its leading position in the IPO market.

Finally, a company's financial performance and institutional environment have a decisive influence on its decision to issue securities. Companies with high profitability and favourable growth prospects are more likely to be successful in their IPOs (Pagano *et al.*, 2002; Meluzin *et al.*, 2012), while those operating in mature, liquid financial systems benefit from lower issuance costs and greater investor confidence. In contrast, companies in developing economies, constrained by less developed capital markets, often remain dependent on bank financing (Engelen *et al.*, 2020b).

The above evidence from the literature indicates that the factors determining IPO activity are multidimensional and reflect the interaction between company-specific characteristics, sector dynamics and institutional conditions. Additionally, it should be noted that companies listing on stock exchanges abroad often display characteristics that distinguish them from those that decide to list domestically. These differences concern many areas, including their characteristics and institutional environment. The comparison between domestic and foreign issuers made based on the literature review described above, is presented in Table 1.2.

The literature emphasises that international conglomerates and large state-owned enterprises (SOEs), often motivated by privatisation goals and the need to obtain broader sources of capital, are frequently represented among companies listed abroad (Pagano *et al.*, 2002; Oxelheim *et al.*, 2013). Other important factors that increase the propensity to list shares on foreign stock exchanges include international experience and the composition of management bodies, including the presence of foreign directors (Bai *et al.*, 2020).

Empirical studies show that company size has a positive effect on the likelihood of listing shares on foreign stock exchanges, with larger entities typically making more significant offerings on international stock exchanges (Banalieva & Robertson, 2010; Caglio *et al.*, 2016;

Larrain *et al.*, 2021). Nevertheless, the interpretation of size as a determining factor is varied and must take into account the sector in which the issuing company operates and the economic context of its headquarters. Similarly, while mature companies often gain access to international capital markets, young, high-growth companies, especially those operating in high-tech sectors, find visibility and strategic opportunities in foreign IPOs. The evidence on age is therefore mixed, as both young and mature companies undertake international listings, and their attractiveness depends on industry dynamics and prevailing capital market conditions (Bell *et al.*, 2014; European Commission, 2020; Tupper & Mallon, 2022).

Table 1.2. Comparison of issuers listed on domestic and foreign exchanges

Criteria	Domestic stock exchange	Foreign stock exchange
Ownership	Depends on the business model of the company/group to which the company belongs	Large state-owned enterprises looking to privatize Companies managed by people with international experience
Size	Bigger than other companies conducting business activity in the country	Bigger than those listed on the domestic stock exchange (excluding companies with high growth potential)
Maturity	Typically, companies operating in the market for about 7–8 years	No clear indication
Sector	Usually high-tech	Usually high-tech
Financial situation and profitability	Usually companies characterized by a good financial situation	Usually companies characterized by a good financial situation
Frequency of investment	Increased probability when the company makes frequent investments	Conducting business in the foreign country increased the probability to list abroad
The degree of development of the issuer's country	Companies from developed countries	Typically, companies from countries with lower disclosure and supervision requirements and companies from countries with higher financial globalization

Source: own elaboration.

Moreover, sector affiliation (especially to high-tech industries) further distinguishes international issuers, and research indicates that technology companies are more likely to access foreign markets, reflecting their global reach and demand for capital that cannot be obtained in narrower domestic spheres (Brau *et al.*, 2003; Caglio *et al.*, 2016). The literature also notes that companies with an established international sales position or strategic market presence are more likely to list abroad, taking advantage of investor recognition and minimising information asymmetries (Pagano *et al.*, 2002).

Finally, macroeconomic determinants, including the degree of financial globalisation, regulatory frameworks and disclosure requirements play a key role in the decision to issue shares abroad (Pagano *et al.*, 2002; Caglio *et al.*, 2016). In particular, companies from highly globalised or developed markets tend to gravitate towards international exchanges in order to increase visibility and comply with stringent regulatory standards, while lower domestic disclosure requirements encourage foreign listings.

Table 1.2 only provides a summary of the probability of a company issuing securities if those companies are characterized by certain features. The domestic market is characterized by a greater divergence due to the different level of development of local markets. With the decision to issue overseas, the company generally chooses to issue in a developed market with strict standards. Only companies that meet these often highly regulated requirements can appear in this market. Moreover, it can be seen that specific strategic goals prevail for small companies, while gaining the financial benefits may be important for large companies.

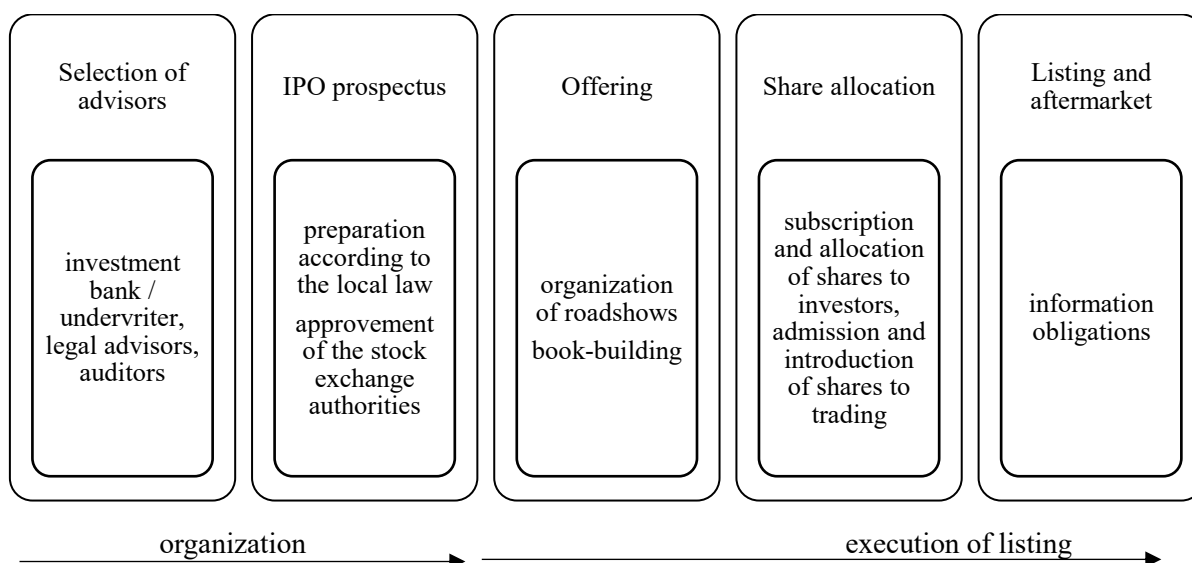
### **1.3.3. IPO process**

The IPO process is one of the key events in the life cycle of a company, representing its transition from operating on the private market to becoming a public company (Kesten, 2018, pp. 29–30; Espinasse, 2022, p. 1). An IPO enables a company to raise capital by issuing securities that become available to a wide range of investors on a regulated market. This process is complex, multi-stage and requires the cooperation of many external entities, as well as the fulfilment of numerous formal requirements resulting from the provisions of law and regulations of capital market supervisory authorities (Tenca *et al.*, 2021, p. 59).

The IPO process varies from country to country. However, there are common elements for most stock exchanges. According to Caselli & Negri (2021, p. 323), the IPO process consists of two main phases – the organisation and the execution of listing. Chart 1.7 presents a diagram of the IPO process.

The IPO process can be divided into several key phases, including formal preparation as well as organisational and marketing activities (Teerink, 2020, pp. 22–24). The IPO process begins with a strategic decision to conduct an IPO and the selection of appropriate advisors who will participate in the process throughout its duration. The IPO is preceded by extensive analyses of the benefits and risks associated with going public, assessing in particular capital requirements, ownership structure, level of transparency, and organisational readiness to meet the information requirements applicable to public companies (Laopodis, 2020, pp. 172–176).

Chart 1.7. Phases of the listing process



Source: own elaboration based on Tenca, F., Butticè, V., Colombo, M. G., Croce, A., Guerini, M., & Giudici, G. (2021). *Entrepreneurial finance a definitive guide*. World Scientific, pp. 61–64.

Many additional entities are involved in this process. First, there is the initiator of the entire process, i.e. the issuer (company), the entity preparing and conducting the public offering (Espinasse, 2022, pp. 26–28; Hillier *et al.*, 2023, p. 70). This entity is responsible for the accuracy of the information provided. At this stage, the company selects the entities participating in the IPO process. In particular, the selection is made for the underwriter, legal advisors, auditors, financial advisors and public relation agency or investor relations advisors (Laopodis, 2020, pp. 171–172).

A key partner of a company undertaking an IPO is the underwriter, most commonly an investment bank, which plays a central role in structuring, preparing, and executing the offering. The underwriter’s responsibilities typically encompass strategic and operational support, including determining the optimal offer price, coordinating the book-building process, advising on the timing of the issue, and ensuring compliance with regulatory requirements. In many cases, the underwriter also guarantees the purchase of a portion, or all of the offered securities, thereby assuming part of the market risk associated with the transaction (Laopodis, 2020, p. 172).

The reputation, experience, and market standing of the underwriter are among the most important factors influencing the issuer’s choice of partner. A well-established underwriter not only enhances investor confidence and increases the credibility of the offering but can also positively affect the pricing and subscription level of the issue (Espinasse, 2022, pp. 26–28;

Hillier *et al.*, 2023, p. 70). Consequently, the world’s leading investment banks are typically engaged in the IPO processes of the largest and most visible companies, particularly in cross-border listings where credibility and international reach are key.

For example, in the Europe, Middle East and Africa (EMEA) region, the IPO market continues to be dominated by major institutional players, including leading global investment banks, which collectively represents the majority share of total issuance activity (see Table 1.3).

Table 1.3. Leading bookrunners in EMEA capital markets (January–September 2025)

Rank	Bookrunner (Parent)	Deal value (sum in EUR m)	No. of deals	Share of market (%)
1	Goldman Sachs	15,606	78	12.00
2	Morgan Stanley	11,631	65	8.95
3	Citi	10,116	69	7.78
4	JPMorgan	9,208	61	7.08
5	BNP Paribas	9,051	77	6.96
6	BofA Securities	8,451	52	6.50
7	UBS	4,148	38	3.19
8	Barclays	3,691	29	2.84
9	Deutsche Bank	3,482	35	2.68
10	Jefferies LLC	3,150	41	2.42
11	SG Corporate & Investment Banking	2,717	35	2.09
12	HSBC	1,975	11	1.52
13	DNB Carnegie	1,717	91	1.32
14	DZ Bank	1,553	2	1.19
15	RBC Capital Markets	1,267	19	0.97

Source: own elaboration based on data provided by Global Capital. (2025). *EMEA equity capital markets issuance*. Derivia Intelligence Limited, <https://www.globalcapital.com/data/league-table/bookrunners-of-all-emea-ecm-issuance> (access as of 31.10.2025).

The next stage is the preparation of a prospectus, i.e. a document containing detailed information about the company's operations, its financial situation, risk factors, shareholding structure and planned use of proceeds from the issue (Teerink, 2020, pp. 32–34). The prospectus is prepared in accordance with local laws and the guidelines of the national supervisory authority. In order for the company to start offering financial instruments, it must be approved by the relevant supervisory authority (Laopodis, 2020, pp. 173–174; Teerink, 2020, pp. 36–37).

The next stage is the offering, which consists of valuing the company, setting the issue price, as well as organising roadshows and book-building. In order to determine the valuation of the company, it is necessary to conduct due diligence, i.e. a detailed legal, financial and tax audit of the company (Laskin 2022, pp. 156–157). On this basis, the underwriter and the issuer

set a price range for the shares, which is then verified during book-building. Its purpose is to determine the optimal issue price, which, on the one hand, will provide the company with an adequate level of capital raised and, on the other hand, will be attractive to investors (Hillier, *et al.*, 2023, pp. 69–70).

Once the issue price has been determined, it is possible to market the offer and build demand, i.e. conduct a roadshow. As part of the roadshow, representatives of the company and investment banks meet with potential institutional investors to present the company's activities and development prospects (Laskin 2022, pp. 159–160). These activities are aimed at generating interest in the offer and assessing the actual level of demand for the shares (Laopodis, 2020, pp. 173–174; Teerink, 2020, pp. 25–26).

Once the order book has been completed, shares can be subscribed for and allocated. This stage is called the subscription period, i.e. the stage at which individual and institutional investors subscribe for shares. Often, we are dealing with an oversubscribed offering, which means that there are more buyers than shares available (Laopodis, 2020, p. 174; Hillier *et al.*, 2023, p. 69). After this stage is completed, the company, in consultation with the offeror, allocates the shares and then introduces them to trading on the stock exchange (Teerink, 2020, pp. 26–27).

The process ends with the stock market debut, i.e. the first day of trading on the regulated market (Laopodis, 2020, pp. 177–178). From that moment on, the company becomes a public entity and is subject to the disclosure requirements set out in the law, including the obligation to publish periodic reports and current information on significant events. Supervision of the performance of these obligations is exercised by a dedicated supervisory authority in a given country. In addition, when admitting securities to trading, the stock exchange itself assesses, among other things, the credibility of the issuer and the transparency of its activities (Tenca *et al.*, 2021, pp. 63–64).

An IPO therefore requires significant organisational commitment, incurring costs for consulting, auditing and promotion, as well as a willingness to maintain a high level of information transparency. In practice, the success of an IPO depends on many factors, including the condition of the capital market, the attractiveness of the sector, the reputation of the advisors, and the company's ability to build investor confidence. A well-prepared and well-executed IPO process can lay the foundation for the company's further development and its long-term presence on the public market.

#### **1.4. Summary**

The financial market is a multidimensional and complex system that integrates various institutions, instruments and regulatory mechanisms, enabling the effective flow of capital within the national economy and between international markets. Its primary function is to mobilise and allocate financial resources through banking and market channels, enabling the transformation of savings into investments and the financing of economic activity. In the context of globalisation and the liberalisation of capital flows, the contemporary financial market is characterised by the growing interdependence of participants and the blurring of boundaries between local and global market segments. This phenomenon contributes to deeper financial integration, greater opportunities for asset diversification and increased efficiency of allocation processes on an international scale.

A wide range of entities participate in the financial market structure, including non-financial companies, financial institutions, individual and institutional investors, as well as public entities. Each of them performs a different function in the system as an issuer, investor or intermediary. Issuers raise the capital necessary to finance their operations and development, while investors seek to maximise their rate of return at an acceptable level of risk. Intermediaries, which may include investment banks, brokerage houses and funds, ensure the efficient flow of information and transactions. Financial instruments issued on the market can be both traditional, i.e. shares and bonds, as well as more complex, e.g. derivatives. The diversity of both financial market participants and financial instruments reflects the complexity of today's capital market. Stock exchanges remain a central element of the financial market architecture.

As organised and regulated trading platforms, they act as intermediaries between issuers and investors, enabling the issuance and trading of a wide range of financial instruments. Stock exchanges support the process of instrument valuation by shaping market prices, ensuring trading liquidity and building trust among market participants. Contemporary stock markets are highly integrated at the international level, and the harmonisation of regulatory provisions and the development of trading technologies facilitate the flow of capital and enable cross-listings. As a result, stock exchanges play a key role in the global financial system, strengthening its stability and efficiency in the allocation of resources.

IPO holds particular significance in the capital market, as it represents one of the key stages in a company's development. Thus, IPO is the process by which a company offers its shares to a wide range of investors on a regulated market for the first time, moving from the private to the public phase. It involves a number of formal and practical steps, including the

selection of advisors and underwriters, the preparation of a prospectus, obtaining the approval of the supervisory authority and determining the terms of the offer. The decision to go public is driven by the desire to raise capital for growth, increase market credibility and expand the investor base, but at the same time it entails disclosure obligations, regulatory costs and market pressure resulting from the public valuation of the company.

Participants in the IPO process, including issuers, investors, investment banks and supervisory authorities, play complementary roles in ensuring the smooth running of the offering and the proper functioning of the primary market. For the issuer, this process is a tool for obtaining long-term financing. Investors, in turn, if they decide to invest capital, have the opportunity to participate in the future profits of the company.

The financial market, and in particular the capital market, is therefore a key element of the market economy infrastructure. Stock exchanges and public offering processes not only enable the flow of capital between investors and companies, but also contribute to economic efficiency, financial stability and innovation. An analysis of these mechanisms provides an understanding of how institutional structures and market participants' decisions shape the modern financial system.

## **CHAPTER 2**

### **Determinants of going public**

#### **2.1. The theories regarding going public**

The analysis of determinants of going public by companies requires reference to theoretical concepts explaining the motives, mechanisms and consequences of companies' decisions to conduct an IPO. A number of theories have been developed in the literature which, although they differ in scope and perspective of analysis, together contribute to a better understanding of the complexity of the process of going public. These theories include both economic approaches, focusing on capital structure optimisation, information asymmetry, agency costs and the problem of share valuation, as well as socio-institutional approaches emphasising, among other things, the importance of reputation, quality signalling and organisational legitimacy.

A common element of these concepts is the assumption that the decision to conduct an IPO is the result of balancing the benefits and costs associated with the transition from the private to the public market. The accumulated theoretical knowledge thus provides a basis for interpreting the empirical results of research on the determinants and effects of going public, and also allows for the identification of factors influencing the long-term functioning of companies on the public market.

Table 2.1 presents an overview of the most important theories concerning IPOs. A detailed description of these theories and references to their current application in IPO research can be found later in this section.

The information asymmetry (Akerlof, 1970) is one of the oldest and most important streams in IPO research. Information asymmetry is one of the key concepts in modern economics and finance, referring to a situation in which the parties to a transaction have unequal access to information about its subject matter, risk or terms. The starting point is the assumption that the issuer knows more about its financial situation than investors, which creates information asymmetry, i.e. leads to market inefficiency and the possibility of adverse selection and moral hazard (Laopodis, 2020, pp. 16–18).

A classic explanation of information asymmetry was formulated by Akerlof (1970) in his article *The market for 'Lemons': Quality Uncertainty and the market mechanism*, in which he showed that differences in the level of information between sellers and buyers can lead to

misallocation of resources and, in extreme cases, to a complete market collapse. This mechanism is based on the fact that buyers are unable to reliably assess the quality of the goods on offer, which forces them to average the price and thus discourages sellers of high-quality products from participating in the market (Akerlof, 1970). Building on this foundational work, the significance of information asymmetries in markets was recognized in 2001, when Akerlof, Spence, and Stiglitz were jointly awarded the Nobel Prize in Economic Sciences for their analyses of markets with asymmetric information.

Table 2.1. A selected theories related to go-public strategy

<b>Name</b>	<b>Authors</b>	<b>Description</b>
Information asymmetry	Akerlof (1970)	Points to differences in the level of knowledge between transaction participants, which result in distorted investment decisions, moral hazard and underestimation of emissions in the IPO process.
Agency theory	Jensen & Meckling (1976), Fama (1980, 1991), Fama & Jensen (1983)	A theory relating to the relationship between owners and managers, pointing to a conflict of interest resulting from the separation of ownership and control, and emphasising the importance of corporate governance mechanisms in protecting shareholders' interests in the IPO process.
Signalling theory	Leland & Pyle (1977), Welch (1989)	IPO as a tool for signalling the value and credibility of a company; sending positive signals to the market through disclosure of information, the structure of the offering and the selection of issuance partners; reducing the perception risk of investors.
Lifecycle of company	Boulding (1950)	An IPO as a tool for financing further growth in the life cycle of a company, as well as a sign of organisational maturity and a desire to diversify the ownership structure.
Market timing	Henriksson & Merton (1981), Baker & Wurgler (2002)	The timing of a share issue depends on market conditions, as companies seek to maximise the capital raised when the economic climate is favourable and take advantage of periods of high market valuations and investor optimism.
Hot and cold market	Ibbotson & Jaffe, (1975)	Activity on the IPO market is cyclical – there are 'hot' periods characterised by a high volume of debuts, investor optimism and favourable economic conditions, and 'cold' periods in which the number of offers is lower, market sentiment declines and market liquidity is limited.
Institutional theory	DiMaggio & Powell (1983)	This theory explains the decision to go public through the influence of institutional framework especially regulatory, mimetic and normative pressures, leading to the homogenisation of organisations and the search for market legitimacy.
Bonding theory	Coffee Jr. (1999)	Companies from countries with weaker investor protection systems decide to list their shares on foreign capital markets, especially in countries with strong institutions, in order to 'bond' with higher standards of corporate governance and regulation.

Source: own elaboration.

In the context of the capital market, information asymmetry plays a particularly important role, as information is a fundamental resource that determines investors' decisions and the valuation of financial instruments (Zhu *et al.*, 2025, pp. 85–86). In the IPO process, this phenomenon manifests itself in the relationship between managers and existing owners of the company, who have in-depth knowledge of its financial situation and development prospects, and potential investors, who base their decisions mainly on the information contained in the prospectus. This difference may lead to an underestimation or overestimation of the value of the issue, which in turn affects decisions on the issue price and share allocation strategy. In order to reduce this asymmetry in the market, issuers are subject to a number of disclosure obligations, which companies must comply, or it is published by companies voluntarily (Fabozzi & Jones, 2019, pp. 26–27; Janicka *et al.*, 2020; Janicka & Sajnóg, 2022).

Information asymmetry addresses two fundamental problems: adverse selection and moral hazard (Laopodis, 2020, pp. 16–18; Mazzocchini & Lucarelli, 2023, pp. 13–15). Adverse selection occurs before a transaction is concluded and involves the less informed party making decisions under conditions of uncertainty about the quality or risk of the other party. Moral hazard, on the other hand, arises after the transaction has been concluded and results from the possibility that the better-informed participant will act contrary to the interests of the other party, exploiting their information advantage. Both of these phenomena have a direct impact on the functioning of public enterprises and their decisions regarding capital raising.

Therefore, information asymmetry forms the basis of numerous IPO theories, including signalling theory, agency theory and issue cost theory (Mazzocchini & Lucarelli, 2023, pp. 14–15). Understanding its mechanism allows for a deeper interpretation of companies' behaviour in the IPO process and explains phenomena such as undervaluation of issues, shareholding structure and the formation of relationships with institutional investors.

With reference to the aforementioned agency cost theory, in a company that is a legal entity separate from its owners (shareholders), managers act as agents employed by the owners to manage the company's operations (Bertoni *et al.*, 2023; Mazzocchini & Lucarelli, 2023, pp. 14–15). A conflict of interest arises when a manager does not act in the best interests of shareholders, which would be the ideal scenario. In a situation where shareholders are unable to effectively monitor the manager's actions, the manager may act in his or her own interest at the expense of the owners (Fabozzi & Jones., 2019, pp. 26–27).

To mitigate such problems, mechanisms are introduced to link managers' remuneration to the achievement of the company's objectives, i.e. maximising shareholder value. One such tool is stock options, whose value increases as the share price rises, which is the result of sound

management. Another, more radical mechanism is the risk of the company being taken over by another entity. In the event of a takeover of a company that is not performing as expected, managers are usually dismissed and replaced by new staff from the acquiring company (Caselli & Negri, 2021, p. 38).

In the more modern approach to the agency theory, a response to risk indicating by this theory may be seen by the importance of corporate governance mechanisms, such as board independence and ownership structure, which can mitigate information asymmetry and enhance market performance, ultimately creating value for shareholders during the IPO process (Bertoni *et al.*, 2023).

Signalling theory (Leland & Pyle, 1977; Welch, 1989) is another classic theory related to the decision to go public. According to this theory, in order to reduce information asymmetry in the market, sending reliable quality signals can alleviate investors' concerns about the actual value of the company (Suen, 2025).

Signalling theory plays an important role in the investment decision-making process during an IPO, as it helps to reduce information asymmetry between the issuer and investors. Demonstrating quality signals, such as the involvement of reputable institutional investors, prestigious underwriters or the presence of venture capital funds, provides the market with important indications of the company's credibility and prospects. The presence of these signals strengthens investor confidence, leads to narrower price ranges and increases the number of subscriptions, which ultimately affects the perceived value, stability and potential market success of the public offering (Mazzocchini & Lucarelli, 2023, pp. 13–15; Suen, 2025).

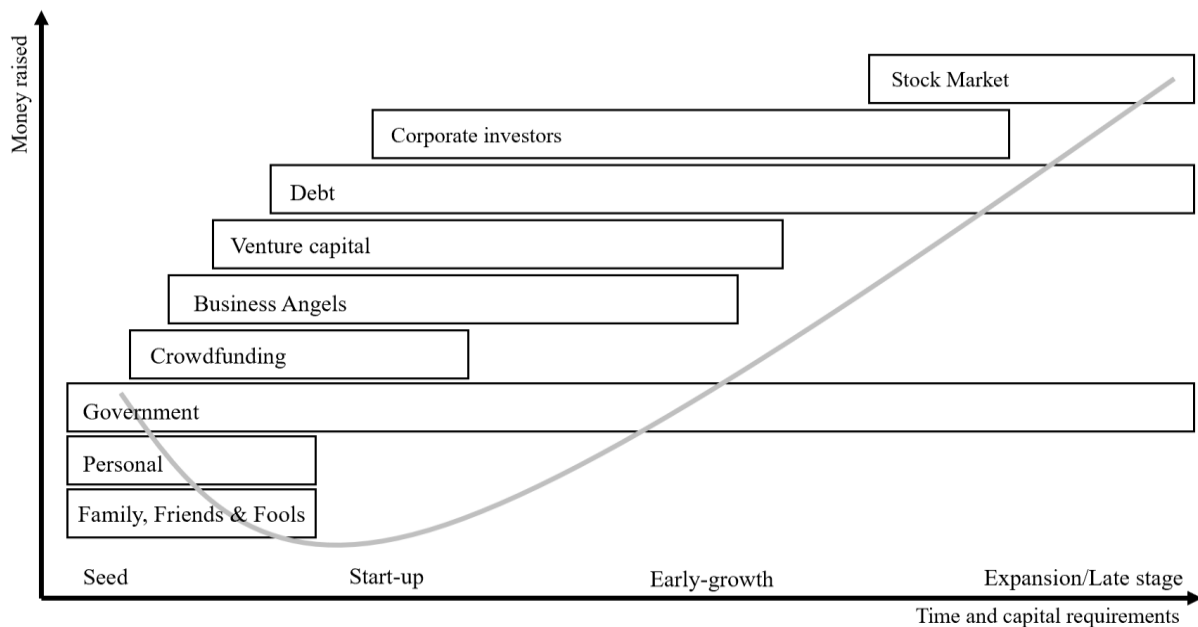
In the case of an IPO decision, going public can be understood as a signal of the issuer's quality, which has a multi-level impact on both the target market and the company's country of origin. For foreign investors, it signals expansionary aspirations and the ability to meet international standards, while for domestic investors it confirms the company's position and maturity (Mazzocchini & Lucarelli, 2023, pp. 13–15; Tsang, 2024, pp. 207–208).

Another application of signalling theory is when high-quality companies deliberately leave some money 'on the table', i.e. issue shares at a lower price to signal their value to the market and attract investors. Therefore, signalling theory influences investor decision-making by suggesting that an undervalued price indicates the quality of a company. High-quality companies underprice their shares in public offerings to attract investors, signalling lower risk and higher return potential, thereby improving their market reputation and reducing investor uncertainty (Zhu *et al.*, 2025, pp. 84–85).

A further theoretical framework regarding IPO decision is the theory of the life cycle of a company. Its foundations were laid by Boulding (1950), who suggested that organisations pass through common stages: birth, maturation, eventual decline, and death.

This theory assumes that organisations go through successive stages of development, which differ in terms of characteristics, financial needs and operating strategy. Typically, several phases are distinguished: seed, start-up, early-growth to expansion (Tenca *et al.*, 2021, p. 7). Each of these stages involves a different level of risk, ownership structure, capital requirements, and relationships with the institutional and market environment (see Chart 2.1). The theory of organisational life cycles is applied across business, public, and non-profit sectors to explain organisational actions (Ford, 2016).

Chart 2.1. The lifecycle of company



Source: own elaboration based on Tenca, F., Buttice, V., Colombo, M. G., Croce, A., Guerini, M., & Giudici, G. (2021). *Entrepreneurial finance a definitive guide*. World Scientific, p. 7.

In the context of IPOs, this theory explains that the decision to go public is a natural stage in the development of a company, usually occurring in the early growth or early expansion phase. During this period, the company achieves stable financial results and brand recognition and needs additional funds for further expansion, e.g. for the development of new products, entry into new markets or acquisitions. An IPO is then a tool for financing further development and, at the same time, confirmation of organisational maturity and credibility towards investors (Arikan & Stulz, 2016).

It is also emphasised in the literature that the decision to go public can be strategic in nature. Mature companies are more likely to use an IPO to diversify their ownership structure, increase the liquidity of their shares or enable existing investors, especially venture capital funds, to exit. In contrast, in later stages of a company's life cycle, e.g. during a period of stagnation or decline, the decision to go public becomes less likely, and companies more often resort to other forms of financing or consider acquisitions and restructuring (Giudici & Vismara, 2021, pp. 776–777).

Consequently, the theory of the life cycle of a company provides an interpretative framework for analysing the moment when a company decides to enter the capital market. This theory illustrates that an IPO is in fact part of the natural evolution of a company, from the growth phase towards greater transparency and professionalisation (Ford, 2016; Caselli & Negri, 2021, pp. 13–16).

Another theory related to the strategic approach to IPOs is market timing theory. The foundations for this theory were laid by Henriksson & Merton (1981), while its development was elaborated in Baker and Wurgler's (2002) work titled *Market Timing Theory of Capital Structure*. This theory assumes that companies make financial decisions based on the perceived valuation of their shares, issuing shares when prices are high and repurchasing them when prices are low. This theory suggests that companies can use market conditions to optimise their capital structure, particularly during IPOs and subsequent financial decisions (Missaoui & Brahmi, 2025, pp. 50–52).

In the literature, market timing theory occupies an important place in the analysis of corporate financial decisions, but the research approaches presented differ in scope, subject of analysis and interpretation of its long-term effects (Missaoui & Brahmi, 2025, p. 51). In a broader perspective, the concept of market timing encompasses strategic decisions regarding debt issuance. Companies can adjust the timing of their borrowing to market changes – such as interest rates, business cycles or inflation expectations – in order to optimise the cost of capital and maintain the desired level of financial leverage (Piliang, 2024). However, the effectiveness of these strategies varies, confirming that market timing is a complex interaction of macroeconomic and microeconomic factors, including investor expectations, market structure and the specific characteristics of a given company.

Furthermore, contemporary research on market timing focuses on developing indicators to identify optimal entry points into the market. An example of this is the use of the realised probability index or predictive models based on the analysis of market sentiment and stock price volatility, which aim to improve the effectiveness of timing strategies (Xie *et al.*, 2025).

Finally, when analysing the phenomenon of stock market debuts, attention should be paid to their cyclical nature, which has been repeatedly confirmed in empirical studies. Ibbotson and Jaffe (1975) pointed to the existence of the phenomenon of so-called hot and cold markets, consisting of alternating periods of increased and limited activity in IPOs. Hot market periods are characterised by high IPO volume, favourable economic conditions, high liquidity in capital markets and clear investor optimism (Kesten, 2018, pp. 30–31). In such conditions, companies are more likely to decide to go public, taking advantage of favourable market valuations and positive investor sentiment. A cold market, on the other hand, represents the opposite phase – a period of low issuance activity, limited investor confidence, declining liquidity, and greater caution in investment decisions (Hillier *et al.*, 2023, pp. 66–67).

The cyclical nature of the IPO market is largely influenced by macroeconomic factors, including changing economic conditions, economic fluctuations, political uncertainty and interest rates. In addition, it is indicated in the literature that behavioural factors such as investor sentiment and the level of information asymmetry between issuers and market participants are important in shaping the phenomenon of hot and cold markets (Kesten, 2018, pp. 30–31; Hillier *et al.*, 2023, pp. 66–67). As a result, this phenomenon is an important element of the capital market business cycle, influencing companies' decisions on the timing of their IPOs.

Among the various theoretical approaches explaining the IPO, the institutional theory provides an important lens for understanding the influence of environmental and legitimacy factors. Institutional theory, pioneered by DiMaggio and Powell (1983), forms the basis for research on the impact of the external environment on IPO decisions. This approach focuses on institutions as key factors shaping the behaviour of individuals, organisations and social structures (Moore *et al.*, 2010). It has been applied in many academic disciplines, such as sociology, political science, institutional economics and management science (Bruton *et al.*, 2010).

DiMaggio and Powell (1983) introduced the concept of institutional isomorphism, describing the process in which organisations operating in the same institutional field become similar to each other in terms of structures, practices and behaviours. The authors identified three main mechanisms of isomorphism. The first is the coercive mechanism, resulting from regulatory pressure and the expectations of the institutional environment. The second is the mimetic mechanism, which involves imitating the actions of entities considered to be more legitimate or effective. Finally, the normative mechanism is related to the professionalisation and standardisation of practices within a given industry. In the context of capital markets and IPO processes, isomorphism explains why companies strive to align their structures, corporate

governance policies and information practices with models considered 'institutionally appropriate'. Such behaviour promotes market legitimacy and investor confidence, even if it does not directly lead to maximising economic efficiency (Mazzocchini & Lucarelli, 2023, pp. 17–20).

Therefore, from an institutional perspective, the decision to go public is considered in the context of the influence of norms, rules and the institutional environment on an organisation's decision-making processes (Tupper and Mehta, 2023). Thus, institutional theory provides analytical tools that are helpful in studying the conditions and mechanisms accompanying IPO activities (Meluzín *et al.*, 2021).

One of the important concepts in the literature on international IPOs and cross-listings is bonding theory. This theory was developed in the context of research on international listings of companies (Coffee, 1999). Its basic premise is that companies from countries with weaker legal systems, less developed corporate governance or lower levels of investor protection decide to list their shares on foreign markets – especially in countries with more stringent regulations and higher levels of transparency, i.e. those with stronger legal and regulatory systems. In this way, the company voluntarily exposes to stricter corporate governance rules, reporting obligations and supervision by the regulatory authorities of the host market. The aim of this action is to build credibility with international investors, reduce information asymmetry and lower the risk premium expected by investors due to the imperfections of the home country's legal system (Vaaler & Schrage, 2006, pp. 264–267; Clarke, 2017, pp. 89–90).

According to bonding theory, by entering a more developed capital market, a company sends a signal about its quality and readiness to operate in a more demanding regulatory environment, which may result in a higher market valuation, lower cost of capital and wider access to institutional investors. At the same time, this process is two-sided. The company benefits from the trust and reputation of the host market, but at the same time is obliged to maintain a high level of transparency and comply with corporate standards (Clarke, 2017, pp. 89–90).

This theory is particularly applicable in studies of companies from emerging markets that decide to list on European or American stock exchanges, including Chinese companies (Zhang & King, 2010; Luo *et al.*, 2012; Clarke, 2017; Li, 2019; Colak *et al.*, 2021; Guo & Yi, 2023). In their case, bonding may be a way to circumvent regulatory restrictions, strengthen credibility in the eyes of foreign investors, and raise capital in a more stable institutional environment (Vaaler & Schrage, 2006, pp. 267–268).

The theories presented above are complementary approaches explaining companies' decisions to conduct an initial public offering. Each of them emphasises a different aspect of this process – from information issues and agency costs, through institutional factors, to market and behavioural conditions. Their combined approach allows for a more holistic understanding of issuers' motivations and the mechanisms of the primary market. Understanding these conditions also allows for a more complete interpretation of the motives of companies deciding to go public and the mechanisms shaping their behaviour in different market conditions. Thus, these assumptions will form the basis for formulating research hypotheses and interpreting empirical results.

## **2.2. Drivers and barriers in issuing securities**

A company may issue securities on a regulated market for the first time by conducting an IPO, or it may issue further securities. Regardless of whether the issue of securities is primary or secondary, there is a specific motivation behind the decision to enter the public market. The literature lists many reasons why companies go public and classifies them in various ways.

On the one hand, it is emphasised that an IPO is the next stage in the development cycle of a company (Pagano *et al.*, 1998, p. 27; Geddes, 2003, p. 1; Kesten, 2018, p. 27; Laskin 2022, pp. 155–156). On the other hand, it is pointed out that not all companies decide to go public solely because they have reached a certain level of organisational maturity. Therefore, the decision to go public is the result of a complex analysis of both internal and external factors. Conducting an IPO is one of the most strategic decisions in the history of a company and reflects its high level of financial and organisational development (Kesten, 2018, p. 27; Caselli & Negri, 2021, pp. 317–319; Tenca *et al.*, 2021, p. 59; Brown *et al.*, 2024).

In the context of analysing the factors facilitating and constraining a company's going public, it is worth noting the terminology used in the literature. Researchers use various terms to describe this phenomenon, such as determinants, motives, drivers or, more broadly, factors influencing a company's decision to go public. However, each of these terms has a different meaning and emphasises different aspects of the decision-making process regarding a going public.

The motives primarily relate to internal, strategic considerations underlying companies' decisions, resulting from their objectives, aspirations and competitive position. In this context, the international expansion of companies may be motivated, among other things, by the desire to raise capital, increase global brand recognition, build reputation, diversify risk, or circumvent

regulatory restrictions in the domestic market (Chemmanur *et al.*, 2008; Kim & Weisbach, 2008; Bancel & Mittoo, 2009; Mayur & Kumar, 2013; Grubisic Seba & Orsag, 2015).

Determinants are presented in the literature as a category referring to external factors in the institutional, regulatory, macroeconomic or geopolitical environment which, regardless of the intentions of a given entity, shape the framework and possibilities for implementing a foreign expansion strategy (Meluzín & Zinecker, 2015; Clarke, 2017, pp. 89–90). Determinants may include, among others, the level of capital market development, the degree of regulatory transparency, the investment climate, bilateral relations between countries, or financial market supervision systems (Meluzín & Zinecker, 2015).

In this thesis, following the example of studies on the reasons why companies go public, it is assumed that the term determinants includes both internal and external factors (Pagano *et al.*, 1995; Jackowicz *et al.*, 2016; Wattanawarangkoon *et al.*, 2022). The authors of these studies explain what internal and external factors are behind the decision to go public and refer to them collectively as determinants. Although some authors refer mainly to the word ‘motives’ in the context of writing about IPOs (e.g., Chemmanur *et al.*, 2008; Kim & Weisbach, 2008; Bancel & Mittoo, 2009; Mayur & Kumar, 2013; Grubisic Seba & Orsag, 2015), they are not consistent in their use of this nomenclature. In the content of these scientific articles, interchangeable terms can also be found – determinants and motives.

In addition to the above-described discrepancies in the nomenclature used to describe the factors influencing the decision to go public, it is also important to note the different perspectives adopted by researchers in presented drivers and barriers of going public (Kesten, 2018, pp. 27–30; Purkayastha & Kumar, 2021; Hillier *et al.*, 2023, pp. 67–68). In the literature, the evaluation of factors affecting companies going public is also presented in empirical studies taking into account two periods – ex-ante, i.e. before the IPO, and ex-post, i.e. companies are evaluated after the completing of the entire process of going public. Each of these perspectives is valuable. The ex-ante evaluation allows to externalize the original motives of the company regarding going public, while the ex-post evaluation presents the final result of making this process (Pagano *et al.*, 2002, p. 28).

Moreover, the objectives underlying an IPO can be analysed from the perspective of three main stakeholder groups: the issuing company, stock investors and original shareholders wishing to sell their shares (Geddes, 2003, p. 2; Giudici & Vismara, 2021, p. 770; Laskin 2022, pp. 155–156). The following section focuses exclusively on the motivations of the issuing company, recognising that although the interests of these groups may sometimes overlap, they often diverge. For example, companies seek to maximise the proceeds from an IPO, while

investors want to buy shares at the most favourable price. On the other hand, selling shareholders view an IPO as an opportunity to realise their investment gains.

There is also literature relating to the motives for going public by companies for the first time, i.e. IPO (Meluzin *et al.*, 2012) or the perspective is related to the conduct of SPOs by companies (Kim & Weisbach, 2008). This subchapter considers the drivers and barriers of issuing securities on the regulated market in the broad sense, i.e. including within the scope of its analysis not only a company's IPO, but also SPO. Moreover, this section refers also to the company's motives for appearing on the public market at domestic country and abroad.

There are many arguments in favour of adopting this broader perspective of evaluating the drivers and barriers of listing on the stock market at domestic country and abroad. First, a company goes public once, and therefore, adopting the model of a rational company, the decision is evaluated over the long term. It would therefore be inaccurate to analyse the company's motivations for going public only once the company has further growth prospects on the public market. Going public by a company is indeed only the beginning of the path that opens up for such an entity. Conducting an IPO creates opportunities for companies to further issue securities on public markets. Referring to the above arguments, presentation of the drivers and barriers enables illustration of a broader perspective of the argumentation behind a company's assessment to list on the stock market at domestic country or abroad.

An analysis of the literature on the motives for listing companies on stock exchanges indicates that the factors determining the decision to go public are most often classified as financial and non-financial, and they can act as both enabling factors and barriers to this process (Geddes, 2003, p. 2; Purkayastha & Kumar, 2021). The literature also offers an alternative approach, in which the motives for conducting a public offering of securities are analysed from two perspectives: microeconomic, referring to the characteristics and strategies of individual companies, and macroeconomic, taking into account the economic and institutional environment (Peterle & Berk, 2016). However, that division is not the dominant approach in empirical research. In view of the above, the rest of this study adopts a classification of factors favouring and hindering the decision to go public according to financial and non-financial criteria, while maintaining a distinction between domestic and foreign markets.

### **2.2.1. Drivers of issuance of securities**

This section provides a systematic analysis of the key motivations driving companies to go public. Drawing on fundamental and contemporary academic research, it focuses on identifying the main factors that drive companies to enter public capital markets. For clarity, the motivating

factors, referred to in this document as drivers, are divided into financial determinants, which include capital-related objectives and strategic development priorities, and non-financial determinants, which include reputation enhancement, operational flexibility and stakeholder issues. The overview of the drivers of going public is presented in Table 2.2.

Table 2.2. The drivers of going public in the domestic stock market

<b>Financial</b>	<b>Non-financial</b>
Raising capital	Increased prestige and marketing effect
Maintaining share liquidity	Enhanced trust among investors and business partners
Market valuation of the company	Facilitation of mergers and acquisitions (M&A)
Access to additional sources of financing	Strengthened employee motivation and commitment
Possibility of obtaining more favourable financing terms	Improved corporate governance system

Source: own elaboration.

To begin with the financial drivers of going public, this process encompasses several interrelated motives. Primarily, raising funds represents a crucial incentive (Caselli & Negri, 2021, pp. 320–322; Hillier *et al.*, 2023, pp. 67–68). As detailed by Meluzin *et al.* (2012, p. 45), going public is a late-stage financing option that enables companies to secure long-term capital, providing issuers with resources for growth and investors with tradable assets on secondary markets. This capital raising can serve three purposes: financing future long-term investments (Aslan & Kumar, 2010, p. 524), maximizing profits for existing shareholders often through SEOs (Geddes, 2003, p. 6), and covering existing debts to rebalance financial positions after periods of rapid growth (Mun & Jang, 2019). Empirical studies corroborate these drivers. Aslan and Kumar (2010, p. 524) identify investment financing as the dominant reason for IPOs in British firms, a finding echoed by Meluzin *et al.* (2012, p. 138) in the Polish market and Skalicka *et al.* (2019, p. 194) in the Czech context, where 95.24% of companies cited fundraising as the primary motivation. The financial restructuring motive also recurs in studies across diverse markets (Pagano *et al.*, 1998; Bancel & Mittoo, 2009; Mun & Jang, 2019). Moreover, raising capital via IPOs enhances financial independence, particularly for firms with limited access to alternative funding sources (de Haan *et al.*, 2020, p. 169; Salerno, 2021, p. 477). Broader analyses including SEOs confirm the centrality of financial motives across large multinational samples (Kim & Weisbach, 2008).

Another significant driver is the maintenance of liquidity of shares, which ensures that long-term investors retain the option to divest shares at fair market prices without immediate

loss of control (Geddes, 2003, pp. 2–3; Feldman, 2018, pp. 2-3; Mäntysaari, 2021, p. 272). Public markets facilitate transparent asset valuation, offering more objective pricing compared to private negotiations and thus accelerating potential transactions (Geddes, 2003; Feldman, 2018). To prevent premature share sales by founders post-IPO, mechanisms such as lockup agreements are implemented to protect investor interests (Sletten *et al.*, 2018). Nonetheless, going public entails risks, including the failure to generate expected trading premiums (Feldman, 2018, pp. 2–3).

Market valuation represents a further key stimulus, as the IPO process involves comprehensive securities appraisal, which commonly results in underpricing phenomenon that enables extraordinary investor returns, described as ‘money left on the table’ (Ritter, 2000). This public valuation increases company visibility and typically enhances firm value, sometimes doubling the valuation compared to private companies (Meluzin *et al.*, 2012; Feldman, 2018, p. 2).

Finally, public company status grants improved access to favourable financing conditions. Enhanced reputation, transparency, and compliance with regulatory standards facilitate credit evaluations and due diligence by financial institutions (Bancel & Mittoo, 2009; Meluzin *et al.*, 2012, p. 132; Kesten, 2018, pp. 28–29). Public firms benefit from lower interest rates, reduced collateral requirements, higher debt limits, and expedited access to financial products. Additionally, being publicly listed simplifies subsequent capital raises through new securities issuances, further improving financing options (Guidici & Vismara, 2021, pp. 770–774).

In addition to financial drivers, non-financial drivers of going public should also be considered. Non-financial motives for going public include a number of aspects that affect how a company is perceived and operates on the domestic market. First and foremost, the status of a public company brings prestige and a marketing effect resulting from the need to meet higher ethical standards and transparency, which in turn improves the company's image and reduces perceived commercial risk (Geddes, 2003; Giudici & Vismara, 2021, pp. 770–771; Mäntysaari, 2021; Hillier *et al.*, 2023, p. 68). Media presence and IPO-related events contribute to increased brand recognition, which is an important form of free advertising, strengthening the perception of the company as a professional and reliable industry leader (Meluzin *et al.*, 2012; Bancel & Mittoo, 2009; Skalicka *et al.*, 2019; Tenca *et al.*, 2021, p. 62).

Another important factor is the increase in trust among investors and business partners, which results from the obligation to disclose detailed financial and operational information, which builds the company's transparency and credibility (Meluzin *et al.*, 2012; Kesten, 2018,

pp. 28–30; Hillier *et al.*, 2023, p. 68). This is particularly important for companies that are the first in their industry to decide to go public. They benefit of holding the position of the first-mover and strengthen their leading position (Chen & Zao, 2023).

Another important motivation is activity in the mergers and acquisitions (M&A) market. Going public allows companies to conduct M&A transactions more easily thanks to public access to information and the possibility of using shares as a means of payment or raising funds to finance these activities (Pagano *et al.*, 1998; Meluzin *et al.*, 2012; de Haan *et al.*, 2020; Brau & Fawcett, 2006; Giudici & Vismara, 2021, pp. 776–778). Moreover, an IPO enables original owners to partially or completely exit their investment, allowing them to recover their invested capital and diversify it, which is often an important element of the owners' financial strategy (e.g., Khurshed, 2011; Kesten, 2018, pp. 28–29; Skalicka *et al.*, 2019).

Going public is also an important motivational and management tool. Becoming a public company enables owners and management to implement mechanisms designed to strengthen managerial accountability and employee engagement (Caselli & Negri, 2021, p. 322; Hillier *et al.*, 2023, p. 68). One of the most commonly used tools in this regard are employee share purchase programmes or share option programmes, which align the interests of employees with those of shareholders, promoting long-term commitment and loyalty (Deloitte, 2020; Mäntysaari, 2021). In addition, the ability to offer share-based incentives enhances the company's attractiveness as an employer, supporting the recruitment and retention of highly skilled professionals and promoting a results-oriented organisational culture (Tenca *et al.*, 2021, p. 62; Hillier *et al.*, 2023, p. 68).

Furthermore, the IPO preparation process itself requires a comprehensive review and streamlining of the company's internal structures and operational processes (Teerink, 2020, p. 23). This stage often involves identifying and eliminating inefficiencies, as well as aligning corporate policy with stringent regulatory and disclosure requirements (Vaaler & Schrage, 2006, pp. 264–267; Clarke, 2017, pp. 89–90). As a result, the company strengthens its internal control systems, risk management procedures and overall corporate governance framework. This process promotes greater transparency and accountability within the organisation, bringing it into line with international corporate governance standards (Teerink, 2020, pp. 23–24). Consequently, pre-IPO transformation often leads not only to improved operational efficiency, but also to increased investor confidence and long-term stability for the company (Da Rin & Hellmann, 2020; Aghamolla & Thakor, 2022).

In this way, non-financial motives are an important element in the decision to go public, influencing not only the image and relations with the environment, but also the long-term development strategy of the company.

### 2.2.2. Barriers to go public

After a detailed discussion of the motivators for going public from the perspective of the domestic market, the analysis of the barriers that may hinder or limit this process shall be discussed. These barriers, like the drivers to go public, can be divided into financial and non-financial. Identifying and understanding the barriers within the IPO process is a condition for an in-depth analysis of the determinants of company's going-public decisions.

Table 2.3. Barriers to go public in the domestic stock market

Financial	Non-financial
Direct costs associated with the going public process	Loss of managerial and strategic decision-making autonomy
Ongoing expenses related to maintaining public company status	Exposure to the risk of hostile takeovers
Costs arising from IPO underpricing	Potential leakage of sensitive strategic or financial information
	Increased burden of regulatory, disclosure, and compliance obligations
	Heightened legal and fiduciary liability of company executives and board members

Source: own elaboration.

The costs of going public are considered one of the most expensive forms of financing (Caselli & Negri, 2021, pp. 322–323; Huang & Zhang, 2022). Research conducted on a sample of over 5,000 American companies indicates that the expenditures incurred have a negative impact on the innovation of companies in the short term (Cox *et al.*, 2021; Tenca *et al.*, 2021, p. 62). In the literature, IPO costs are divided into direct and indirect costs (Meluzin *et al.*, 2012, p. 50; Kesten, 2018, pp. 28–29; Da Rin & Hellmann, 2020, p. 421).

Direct costs include expenses related to the preparation of the prospectus, securities registration fees, remuneration of advisors, marketing activities and internal costs of the issue, e.g. increased employment (Tenca *et al.*, 2021, p. 62). Although their amount is relatively easy to estimate, as it is regulated by stock exchange and legal regulations, actual data sometimes remains confidential (Sosnowski, 2015, p. 58). It is worth noting that as the value of the issue increases, the relative direct costs decrease due to economies of scale. The essential is also the

role of professional advisors, whose experience and reputation influence the entire process (Huang & Zhang, 2022).

Indirect costs are primarily related to so-called underpricing, i.e. an increase in the share price after the IPO relative to the issue price (Sosnowski, 2015, p. 188; Giudici & Vismara, 2021, pp. 807–808; Hillier *et al.*, 2023, p. 70). Due to their nature, they are difficult to estimate precisely, but they can significantly reduce the market value of a company (Huang & Zhang, 2022). In addition, each subsequent issue of securities entails recurring costs related to the preparation and introduction of shares to the primary market and to maintaining the status of a public company, which includes compliance with legal and regulatory requirements and stock exchange fees (Meluzin *et al.*, 2012, pp. 61–63; Tenca *et al.*, 2021, pp. 61–62).

After discussing the financial factors inhibiting the decision to go public, analysis of the non-financial barriers to this process will be discussed. The first of these is the loss of decision-making autonomy. Going public means an increase in the number of shareholders, which may result in the loss of majority control by the existing owners (Pagano *et al.*, 1998). Research by Brau *et al.* (2003) identifies this factor as the most important disadvantage of IPOs from the perspective of financial directors. In addition, the merger and acquisition strategy, which is often the motive behind IPOs, may end in failure or even a hostile takeover (Meluzin *et al.*, 2012; Mäntysaari, 2021). However, certain legal safeguards introduced to the regulatory system of the specific country may limit the risk of loss of control.

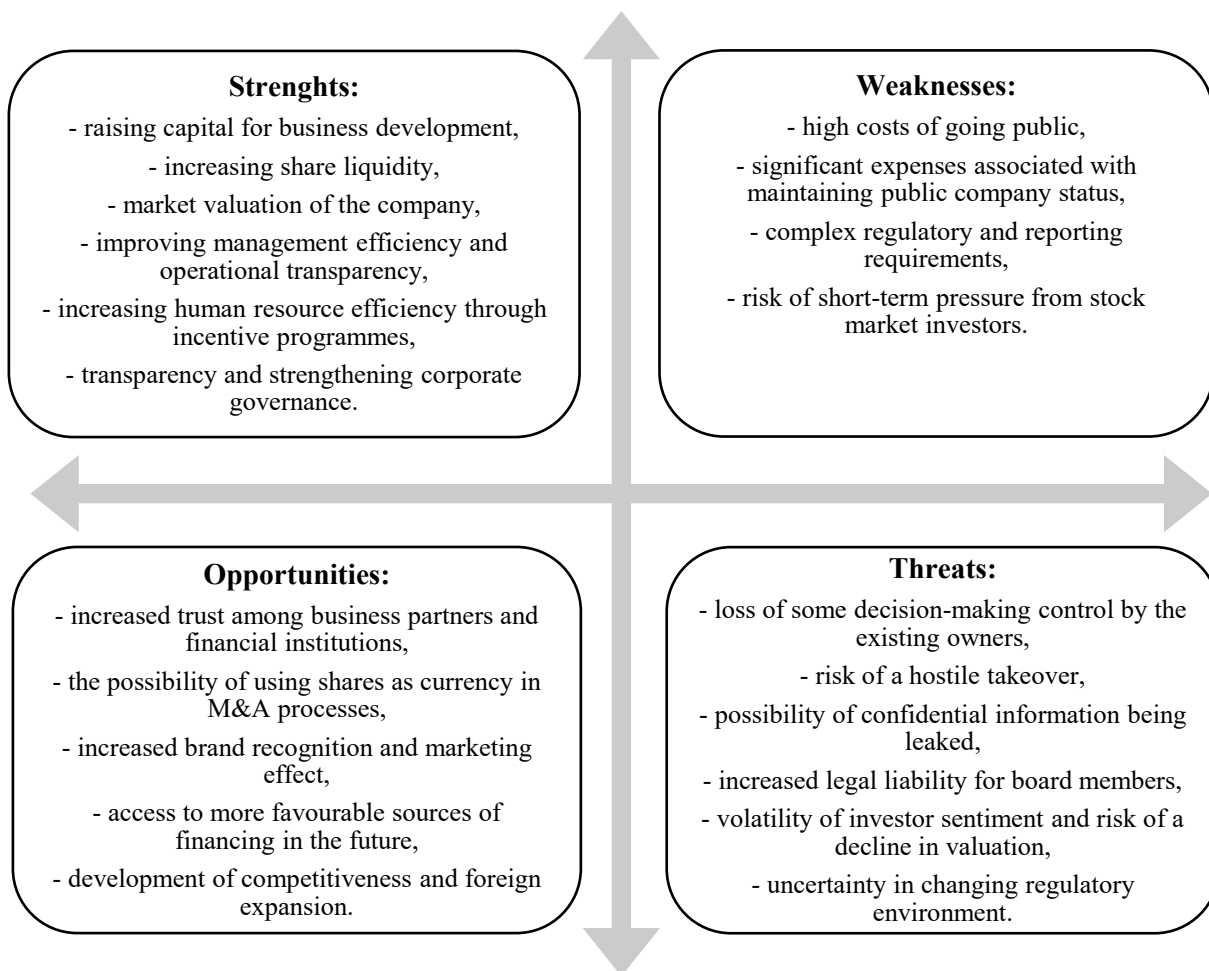
Another significant obstacle is the risk of strategic information leakage (Caselli & Negri, 2021, p. 322). Public disclosure of data, which is necessary for IPOs and periodic reporting, may in some cases weaken a company's competitive advantage (Maksimovic & Pichler, 2001; Jong *et al.*, 2012; Da Rin & Hellmann, 2020). Research on the biotechnology market indicates that the availability of information on clinical trials is conducive to going public, implying that concealing such information is a significant barrier (Aghamolla & Thakor, 2022).

In addition, the status of a public company entails numerous regulatory and legal obligations that must be met both before and after listing (Da Rin & Hellmann, 2020; Janicka *et al.*, 2020; Janicka & Sajnóg, 2022). This requires the hiring of specialists and involves time resources (Laskin 2022, pp. 156–157).

The last important barrier in taking decision to go public is the increased legal liability of company representatives. Public companies and their management boards are exposed to criminal, administrative and civil liability for violations of law and regulations (Da Rin & Hellmann, 2020). In addition, there is an increased risk of litigation, which may adversely affect the valuation of shares (Feldman, 2018).

Considering the factors facilitating and deterring the process of issuing securities, discussed in the previous subsections, this section presents a SWOT analysis (see Chart 2.2).

Chart 2.2. SWOT analysis of issuing securities in domestic market



Source: own elaboration.

The SWOT analysis provides a summary of the key factors influencing the decision to conduct an IPO on the domestic market. It takes into account both internal aspects of the internal (strengths and weaknesses) and external factors (opportunities and threats) resulting from the market environment.

The identified strengths focus on the possibility of raising capital, improving liquidity and increasing the transparency and efficiency of the company's operations. The weaknesses, on the other hand, are dominated by the high costs of going public and increased regulatory burdens. The opportunities identified include, above all, strengthening the company's market credibility and competitive position, as well as the possibility of using shares as an instrument

for financing acquisitions. The threats, on the other hand, are related to the loss of some control over the company, exposure to market risk and the obligation to disclose strategic information.

To conclude, the factors presented, and the SWOT analysis indicate that the decision to conduct an IPO is a complex process requiring a balance between potential net profits and potential losses. An IPO is not only a means of raising capital, but also a strategic tool for building market position, strengthening corporate governance and increasing the transparency of a company's operations. At the same time, it involves significant financial, regulatory and organisational costs, which may limit its attractiveness, especially for smaller entities.

### **2.3. The international IPO and cross-border listings**

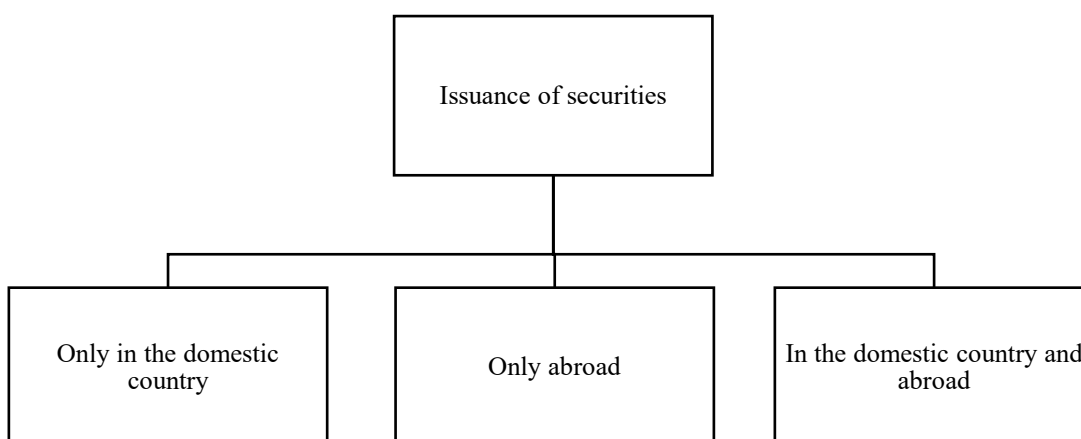
A company may conduct a public offering of its securities both on the domestic market and on foreign markets (Teerink, 2020, pp. 22–23). The issue of securities on the domestic market is the basic form of a company's presence on the securities market. Historically, companies began issuing their securities on foreign markets later than on domestic markets. As a result of the globalisation of financial markets and competition between stock exchanges to increase their share in the global securities market, changes have taken place in this area (Moore *et al.*, 2012, p. 932). The role of foreign stock exchanges has also increased as a result of the liberalisation of capital flows and enormous technological advances, particularly in the field of communication, transmission and data processing (Irani *et al.*, 2023; Helbing & Lucey, 2024). Most companies still choose to issue in their home country, and listing on foreign stock exchanges involves a smaller number of companies that want to reap specific benefits from foreign issuance.

The choice of where to conduct the IPO, either abroad or domestically, depends on many factors. Some of them are related to the characteristics of the companies themselves, such as their size, ownership structure, and development strategy. Others concern the specific features of the target market, including the level of capital market maturity and the availability of institutional investors. The options for listing securities are presented in Chart 2.3.

An issue on the domestic market allows the company to raise capital in a familiar regulatory and legal environment, often at a lower cost of listing the shares. The company operates in a domestic legal and regulatory environment and within an economic and political context that it is familiar with. Due to its ongoing business activities in that country, it is also familiar with the prevailing situation in that market (Fabozzi & Jones, 2019, p. 12; Costa & Ragazzo, 2024).

Moreover, a company can carry out an international debut on a foreign stock exchange or simultaneously on several markets (Tsang *et al.*, 2022; Macoris *et al.*, 2023). This decision can significantly increase the company's recognition, broaden its investor base and facilitate expansion into foreign markets (Dodd, 2013; Giofre, 2021; Costa & Ragazzo, 2024). In such a situation, the company either goes public and conducts the issue ultimately only in the foreign market and does not appear in the country of its incorporation, or it simultaneously issues securities both at home and abroad. Recently, it has become increasingly common for companies to opt for cross-border issues, which combine the benefits of a local and global market presence (Macoris *et al.*, 2023; Espinasse, 2022, pp. 22–24).

Chart 2.3. The model of securities issuance



Source: own elaboration.

The issuing of securities abroad has a long history and dates back to the turn of the 20th century. The development of stock markets that has taken place also contributed to the increased number of issuance of securities by companies in foreign markets since the 1990s. The top markets for foreign issuance of securities have for many years remained the US and the UK (Wójcik & Burger, 2010, p. 276; Caglio *et al.*, 2016; Tupper & Mallon, 2022). Due to the integration of capital markets and the removal of legislative barriers (Banalieva & Robertson, 2010, p. 544), there is a rising interest among companies in foreign listings (Diniz-Maganini *et al.*, 2022). This interest is also manifested in the literature as evidenced by a number of academic studies on the determinants of companies' performance on foreign stock exchanges. A systematic literature review conducted by Purkayastha and Kumar (2021) identified 66 key scientific studies relating to this issue published in leading scientific journals.

In discussing foreign IPOs, it is important to note two terms that appear in the literature, which are cross-listing and dual listing. Cross-listing involves the listing of a company's securities on at least two regulated markets or alternative trading systems simultaneously (Mantysaari, 2021, pp. –648). This concept has been widely discussed in the academic literature (Chemmanur *et al.*, 2008; Banalieva & Robertson, 2010; Cetorelli & Peristioni, 2010; Dodd, 2013; Meng & Sutton, 2017; Giofre, 2021; Tsang *et al.*, 2022; Macoris *et al.*, 2023). The interesting observation was made in a study conducted by Caglio *et al.* (2016) on a sample of more than 26,000 companies issuing securities across stock exchanges in over 65 countries. This research revealed that the majority of firms listing abroad were not simultaneously listed in their home countries. Caglio *et al.* (2016) further argue that these benefits tend to be greatest for firms that choose to issue new securities directly on a foreign exchange, rather than merely trading existing ones on the secondary market. The study also found that cross-listings remain relatively rare. This limited prevalence is often attributed in the literature to the growing ease of international securities trading, which has reduced the necessity for companies to maintain a direct listing presence in multiple jurisdictions (Dodd, 2013, pp. 77–78).

More recent research confirms the interest of companies to go public abroad (Diniz-Maganini *et al.*, 2022; Macoris *et al.*, 2023; Li *et al.*, 2025). Research of Li *et al.* (2025), encompassing data from 1980 to 2020 across 84 countries, underscores the substantial impact of cross-border capital movements on the volatility of economic growth. Their analysis demonstrates that this relationship holds consistently across a range of macroeconomic indicators, supporting the view that international capital flows play a significant role in shaping global economic fluctuations.

The second term which is worth to mention is dual-listing. This concept is presented in two ways in the literature. The first interpretation refers to the definition of cross-listing and states that dual-listing refers to the issuance of securities on two stock exchanges simultaneously. Thus, dual-listing is, in this sense, one of the varieties of cross-listing, which can involve listing on several or more stock exchanges simultaneously (Caselli & Negri, 2021, p. 324; Mantysaari, 2021, p. 641; Espinasse, 2022, pp. 22–24; Parameswaran, 2022, p. 35). There is also a second meaning of dual-listing in the literature. According to the *Dictionary of finance, investment and banking*, a dual listed company is where two public companies that are constituted separately, retain separate identities, feature individual exchange listings, but also combine their business operations for purposes of creating goods and services (Banks, 2010, p. 168). Considering this definition, dual-listing is the issuance of securities on two stock exchanges, but by two different entities that conduct only part of their business operations

jointly through signed agreements (the most common indication is the operation of these entities as part of a consortium). A well-known example of this structure is the formation of dual-listed companies such as Royal Dutch Shell (prior to its unification) or BHP Billiton (Argus & Samson, 2021, pp. 460–465). Despite the existence of these two interpretations, the first understanding of dual listing prevails in financial literature, equating it with the simultaneous listing of a single company's securities on two stock exchanges.

From a regulatory perspective, two general approaches to cross-listing and dual-listing can be observed. In the context of the European single market, companies can take advantage of the institution of the single European passport. In that case, the listing process is facilitated by mutual recognition frameworks or passporting mechanisms, which allow a company to use a single set of disclosure documents across multiple markets (Teerink, 2020, pp. 22–24; Moloney, 2023, pp. 83–84). The further discussion in this regard is presented in Chapter 4 of this thesis. In contrast, in markets where such agreements do not exist, companies are required to comply separately with the regulatory requirements of each country in which they intend to list. This involves preparing distinct prospectuses and fulfilling local disclosure and approval obligations imposed by national supervisory authorities.

#### **2.4. Determinants to go public on foreign stock markets**

After discussing the financial and non-financial drivers and barriers to entering the domestic stock market, the following section focuses on the analysis of factors influencing the decision to go public on foreign markets. As in the previous case, these factors are divided into financial and non-financial categories.

The analysis undertaken in this section begins with the identification and discussion of barriers limiting the possibility of companies entering foreign stock exchanges. An overview of financial and non-financial determinants is presented in Table 2.4.

Regarding financial drivers, both on the domestic and foreign markets, certain similarities and differences can be observed. As in the case of the domestic market, the main objective of going public abroad is to raise capital for development and increase the liquidity of shares (Pagano *et al.*, 1998; Da Rin & Hellmann, 2020; Liu, 2023). However, in international markets, the access to the more extensive and diverse group of investors are available (Verma & Bansal, 2021). Moreover, the foreign capital markets are characterised by increased liquidity. As the effect, companies can benefit of more favourable condition of issuance of securities, higher valuation of the company and possibility to decrease the cost of capital (Liu *et al.*, 2017; Cui *et al.*, 2021; Huang & Zhang, 2022; Chen & Zhao, 2023).

Table 2.4. Drivers to go public overseas

Financial	Non-financial
Enhanced ability to attract external equity capital	Prestige and enhanced brand recognition through listing on renowned stock exchanges
Increased market liquidity of the company's shares	Strengthening of corporate governance standards and transparency
Potential for higher market valuation due to international exposure	Opportunity to bypass restrictive domestic regulatory frameworks
Lower cost of capital resulting from greater investor diversification	Facilitation of international expansion and cross-border operations

Source: own elaboration.

From a non-financial perspective, the increase in prestige and brand recognition plays a significant role (Cetorelli & Peristiani, 2010; Bell & Rasheed, 2016). This effect is particularly important for young companies seeking international expansion. Going public on a renowned international stock exchange as those in London, Frankfurt or New York, serves as a signal to investors, business partners and customers, indicating high-quality corporate governance and transparency of operations (Cui *et al.*, 2021; Verma & Bansal, 2021). This phenomenon is in line with the assumptions of signalling theory, according to which the very fact of entering a prestigious capital market is a positive signal to market participants regarding the credibility and growth potential of the issuer (Mazzocchini & Lucarelli, 2023, pp. 13–15; Suen, 2025).

Another incentive is the opportunity to implement an international expansion strategy (Tupper & Mallon, 2022; Lefebvre, 2023). Listing a company on a foreign market facilitates operational expansion (Lefebvre, 2023) and gaining capital (Chen *et al.*, 2022; Cui *et al.*, 2025) and the establishment of corporate structures in various jurisdictions to an even greater extent than on the domestic market (Cong & Howell, 2021). In some cases, the decision to conduct a foreign IPO is part of a long-term development strategy (Tupper & Mallon, 2022; Haman *et al.*, 2024). By deciding to debut abroad, it is possible to enter new markets, build trust with local contractors and open up opportunities for further successful issues of financial instruments (Liu, 2023).

The growing activity of global investors and the removal of legislative and technical barriers also contribute to increasing the possibilities for issuing securities abroad (Bell & Rasheed, 2016; Caglio *et al.*, 2016; Li *et al.*, 2019; Stulz, 2022; Zeitz, 2025). In view of this compliance with international corporate governance standards is also important (Tsafack & Guo, 2021; Tupper & Mehta, 2023). Preparations for an offering on a foreign stock exchange require the adaptation of reporting, internal control and information transparency systems

(Espinasse, 2022, p. 73). This, in turn, allows for a lasting improvement in organisational efficiency and increased transparency of the company towards its stakeholders (Gupta *et al.*, 2018; Tupper & Mehta, 2023).

Another important motive is the possibility of circumventing restrictive national regulations. Companies are increasingly choosing foreign markets where legal and tax requirements are more favourable (Stulz, 2009; Fernandes & Giannetti, 2013; Salerno, 2021). An example of this are Chinese companies that use foreign stock exchanges to circumvent domestic restrictions. Further details regarding this aspect are presented in the Chapter 3 of this thesis.

Despite numerous benefits, the decision to debut on a foreign stock exchange is burdened also with many barriers. The overview of these barriers are presented in Table 2.5.

Table 2.5. Barriers to go public overseas

<b>Financial</b>	<b>Non-financial</b>
Relatively higher direct costs of listing compared to domestic markets	Exposure to the risk of hostile takeovers
Limited predictability of overall cost structure	Volatility and uncertainty of the host country's economic environment
Uncertainty regarding potential underpricing of issued shares	Increased regulatory and compliance obligations
	Cultural differences and communication barriers

Source: own elaboration.

Starting this analysis with the financial barriers, to enter foreign markets, one of the main obstacles is the higher cost of issuing securities on international markets (Wójcik & Bruger, 2010; Bekaert & Hodrick, 2017). While on the domestic market, the direct costs of an IPO are relatively well defined and predictable (Meluzin *et al.*, 2012; Kesten, 2018), on foreign markets they may be higher. These costs result primarily from the need to adapt corporate governance standards and financial statements to the regulatory requirements of the foreign market and the related organisational changes within the company (Da Rin & Hellmann, 2020). In addition, there is an increase in expenditure on financial and legal advice, public relations, advertising and other activities related to the issue. The process of registering and admitting securities to trading on foreign markets involves additional costs for legal advice, auditing, accounting services and underwriting services (Huang & Zheng, 2022).

Moreover, the literature consistently emphasises that larger companies are more likely to attempt to enter foreign stock exchanges because their significant capital base allows them

to cover the high costs associated with international share issues (Caglio *et al.*, 2016; Larrain *et al.*, 2021). The financial barriers in foreign markets are usually more complex and onerous than in the domestic market, which is a major obstacle for small and medium-sized enterprises considering entering a foreign stock exchange (Tupper & Mallon, 2022). In terms of indirect costs, such as underpricing, these mechanisms occur in both domestic and foreign markets, although their scale and nature may vary depending on the specific characteristics of the market (Sosnowski, 2015; Giudici & Vismara, 2021, pp. 807–808; Huang & Zhang, 2022).

Moving on to the analysis of non-financial barriers in foreign markets, the several key differences and similarities compared to domestic barriers can be seen. It is worth highlighting the aspect related to the risk of hostile takeovers. Although a larger market and a greater number of investors could favour such a risk, research indicates the opposite – increasing the investor base reduces the likelihood of a hostile takeover (Meng & Sutton, 2017; Tsang *et al.*, 2022). Issuing shares on markets with different accounting systems may further hinder such takeovers (Tsang *et al.*, 2022).

The second non-financial factor is institutional constraints understood as legal, economic, and cultural environment. The first significant limitation is the increase in regulatory and information requirements (Da Rin & Hellmann, 2020). The lack of a uniform approach to regulation in foreign markets means that each stock exchange, in accordance with national law, may impose specific, often very extensive reporting obligations (Liu *et al.*, 2017; Moloney, 2023, pp. 45–49; Newman, 2024). An example is the US market, considered the most stringent in this respect (Caglio *et al.*, 2016), where foreign companies account for a significant proportion of issuers (Newman, 2024). In addition, issuers may encounter difficulties arising from differences in accounting standards and disclosure requirements between their country of origin and the target market (Wójcik & Bruger, 2010).

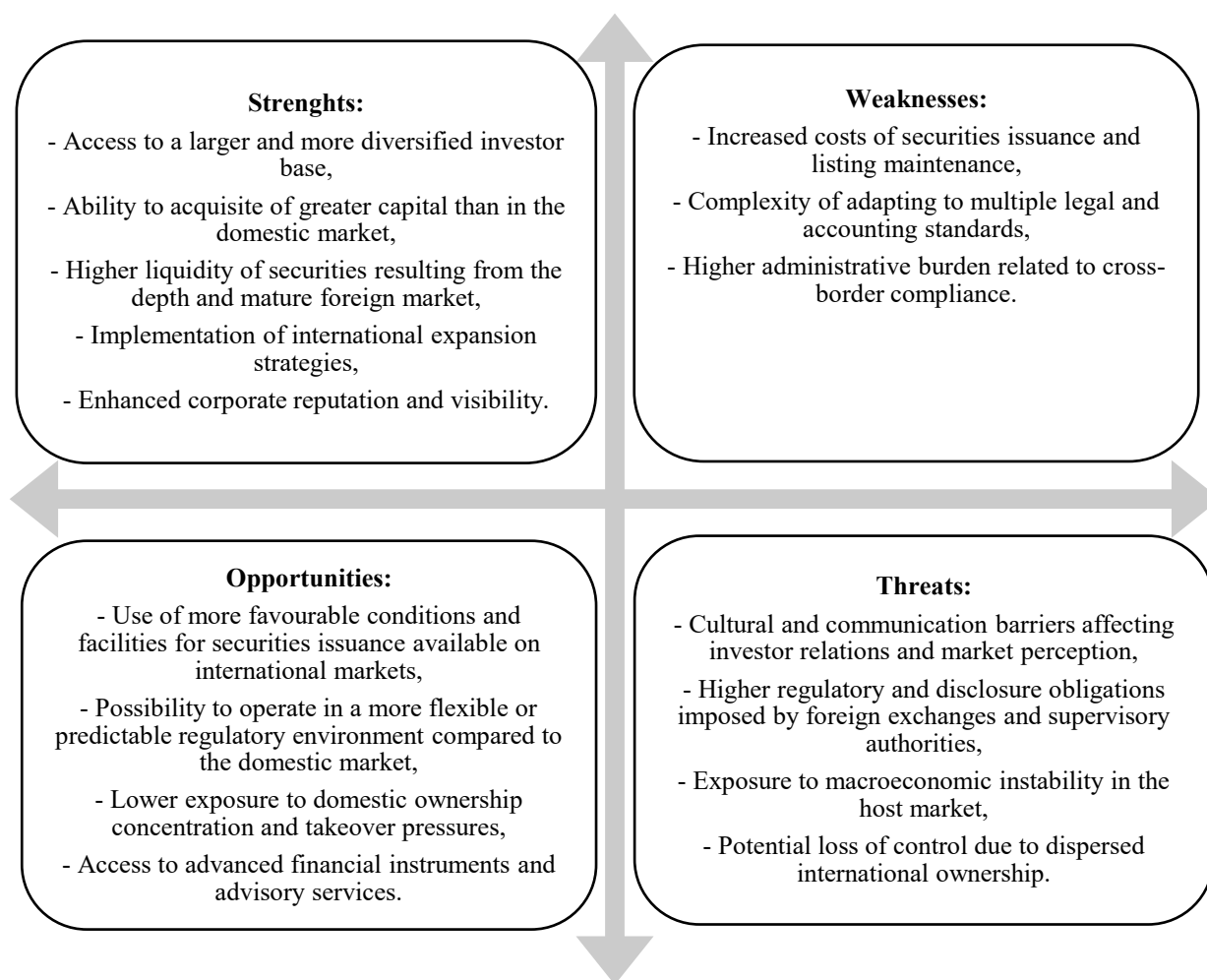
Furthermore, it is also important to point out the risks associated with the changing macroeconomic environment of the country in which a given company will be listed. Changes in the monetary or fiscal policy of the host country may modify the attractiveness of the capital market. Researchers have repeatedly pointed this out in their studies and have also demonstrated the impact of macroeconomic factors on companies' decisions to conduct IPOs abroad (Cieślik & Sosnowski, 2024).

Finally, cultural barriers are related to, among others, understanding local requirements and communication differences are a significant factor discouraging companies from going public abroad (Gupta *et al.*, 2018; Salerno, 2021; Tupper & Mehta, 2023; Cieślik & Sosnowski, 2024). Companies more often choose markets with a similar culture (Wójcik & Bruger, 2010;

Bell & Rasheed, 2016), which is confirmed by research indicating that geographical, economic, cultural and industry proximity play an important role in market selection (Sarkissian & Schill, 2004). Interesting conclusions can be drawn from the division of countries into traditionalist and results-oriented. Companies from traditionalist countries, which are risk-averse, are less likely to decide to issue abroad, preferring proven business relationships, while results-oriented countries are more willing to overcome these barriers (Salerno, 2021).

In view of the drivers and barriers presented in this section, SWOT was also conducted (see Chart 2.4). The SWOT analysis provides a summary of the key factors influencing companies' decisions to conduct IPOs on foreign markets.

Chart 2.4. SWOT analysis of issuing securities abroad



Source: own elaboration.

The identified strengths and opportunities relate primarily to the potential for raising capital, building reputation and implementing international expansion strategies. At the same

time, the identified weaknesses and threats highlight the complexity of entering foreign capital markets, resulting from unstable institutional environment and cost differences.

To summarise, the decision to conduct an IPO on foreign markets is the result of balancing the net profits, such as access to international capital, improved reputation and foreign expansion against the barriers associated with costs, regulatory and cultural risks. This analysis indicates that despite the growing attractiveness of international capital markets, the effectiveness of the IPO process in a foreign context depends largely on the degree of organisational preparedness, transparency and adaptability of the company.

## **2.5. Summary**

Conducting an IPO and introducing securities to trading on a regulated market provides a number of material benefits for both the company and its owners. These benefits create greater opportunities and chances for the company to achieve market success. An IPO also involves costs and obligations, which should be treated as an investment in the future.

The motivation to go public, related to the desire to raise additional capital, is frequently cited in the literature as the main reason for a company to go public. This is related to the one of objective of conducting business activity, which is to generate profits. The decision to go public should be interpreted in a broader context than just financial. However, when discussing the motives for companies going public, a very important group of non-financial motives cannot be overlooked. The decision to go public is not only about raising additional capital, but also about implementing the company's strategy, which is a continuation of its development. This strategy can be implemented by increasing its visibility both at home and abroad, or by entering the M&A market. The promotional effect and increased credibility of the company in the eyes of its contractors are also significant.

The issue of securities by a company on a foreign market is another, more advanced stage in the development of a given enterprise. Notably, the decision to go public on foreign markets is the implementation of the company's adopted global expansion strategy. As indicated by the studies cited in this section, foreign markets may include both large companies, which usually seek financing for long-term and large-scale projects, and small companies with high growth potential. As a rule, however, these are companies that enjoy credibility in the eyes of banks and other financial institutions. As in the case of issues on domestic markets, the importance of financial motives is emphasised.

The development of stock markets, which has taken place especially in the last few decades, has also contributed to facilitating the issuance of securities by companies on foreign

markets. This facilitation obviously has its legal basis, which harmonises the obligations associated with the appearance of companies on stock exchanges. An example of such harmonisation of legal obligations related to the IPO process is EU law, which introduces uniform standards in all Member States. One of the most important is the introduction of the single European passport.

From an economic perspective, financial factors are one of the key motives for deciding to issue securities abroad. The most frequently mentioned include the possibility of raising more capital, increasing the liquidity of shares, obtaining a higher valuation of the company and reducing the cost of capital thanks to access to a broader investor base and a more developed financial infrastructure.

However, the factors determining the choice of a foreign stock exchange are not always financial in nature. Some companies may choose a specific foreign stock exchange for non-financial reasons. As a result, companies benefit from ongoing legal unification and are therefore more likely to choose to issue their securities on foreign markets rather than domestic ones. However, despite increasing globalisation and the introduction of many technological advances facilitating communication, differences between countries can also constitute barriers to the decision to go public. In addition, there is an increased risk to the success of such an issue and higher costs of conducting an IPO. Considering the benefits and risks associated with a foreign issue, it is therefore necessary to carefully weigh the lower costs of listing on a less developed stock exchange against the potential for achieving the expected profits and benefits. Interestingly, research indicates that a company that is assessed as being at high risk of a hostile takeover on the domestic market should carry out a foreign issue to eliminate such risk.

Finally, it is the interrelationship between domestic and foreign IPOs. Based on the conclusions of the performed SWOT analyses, significant relationships can be seen between the factors favouring and hindering the decision to go public on the domestic and foreign markets. All the determinants identified in the context of domestic listings are also reflected, to a greater or lesser extent, in the case of foreign listings. In practice, it may seem that the motives and barriers to IPOs on the domestic market often take on a broader dimension in an international context, where there are additional specific factors related to institutional differences, the complexity of the regulatory environment or the need to adapt to foreign legal and cultural systems. As a result, the decision to conduct an IPO on a foreign stock exchange is a more complex strategic process, requiring not only an analysis of economic benefits and costs, but also an assessment of the risks arising from the internationalisation of the company's operations.

## CHAPTER 3

### The characteristics of Chinese stock market

#### 3.1. The characteristic of China's system in shaping stock market

##### 3.1.1. China's political and economic system

China's economy is dominated by a socialist economic model with market elements (Chi, 2023; Joseph, 2024, pp. 16–19). After the economic reforms introduced in the 1970s by Deng Xiaoping, China announced market-oriented reforms and encouraged foreign investment and trade. Prior to 1978, China was ruled by a socialist planning system (Lin *et al.*, 2020). Since this year the reforms initiated at that time are referred to as 'China's Second Revolution' (Economy, 2019, p. 6). The current president of China, i.e. Xi Jinping is recognised as a leader who has changed the perception of China in the world and contributed to the country's increasing internationalisation (Economy, 2019, p. 10; Kroeber, 2020, p. 307).

In discussions about China's contemporary territorial and administrative structure, a distinction must be made between Mainland China, Hong Kong and Taiwan (Wang *et al.*, 2022, pp. 22–23; Joseph, 2024, p. 10). These areas has developed along different historical trajectories and under different systems of governance. The term Mainland China refers specifically to the territory directly administered by the People's Republic of China (PRC), excluding special administrative regions and territories that operate under separate political arrangements (Benvenuti *et al.*, 2022, p. 48).

Since the end of the 20th century, China has undergone profound political, economic and territorial changes (Benvenuti *et al.*, 2022, p. 48). One of the most significant events was the reintegration of Hong Kong in 1997 under the principle of 'one country, two systems'. Before the handover of Hong Kong to China, Hong Kong had been under British administration for over 150 years, which had a huge impact on the development of its institutional structure, legal culture and social norms (Wang *et al.*, 2022, p. 23). As a result, the region developed a system of governance based on common law traditions, a distinct culture and a highly open, globally integrated economy contrasts with the administrative and developmental trajectory of Mainland China (Benvenuti *et al.*, 2022, pp. 48–49). The 1997 agreement aimed to preserve these long-standing structures by granting Hong Kong a high degree of autonomy and allowing it to maintain separate legal, economic and administrative systems. Thus, Hong Kong continued

to function as a jurisdiction with significantly different regulatory standards, economic openness and social institutions compared to the mainland (Joseph, 2024, p. 10).

Furthermore, although the PRC considers Taiwan to be part of its territory, the island has established its own political and administrative institutions and has functioned as a separate jurisdiction since 1949 (Benvenuti *et al.*, 2022, pp. 48–49). Taiwan has an autonomous democratic government, its own legal and economic systems, and independent politics (Joseph, 2024, p. 10). For these reasons, academic and international analyses consistently treat Taiwan separately from mainland China, reflecting both the long-standing institutional separation and the continuing political tensions in the Taiwan Strait. These tensions have intensified in recent years as Chinese authorities have repeatedly stated that they do not rule out the use of force to achieve unification if peaceful measures fail (Wang *et al.*, 2022, p. 23). Such declarations, regularly invoked in diplomatic statements and official rhetoric, underscore the geopolitical sensitivity of the Taiwan issue and reinforce the analytical and practical distinction between Taiwan and Mainland China (Benvenuti *et al.*, 2022, pp. 55–61).

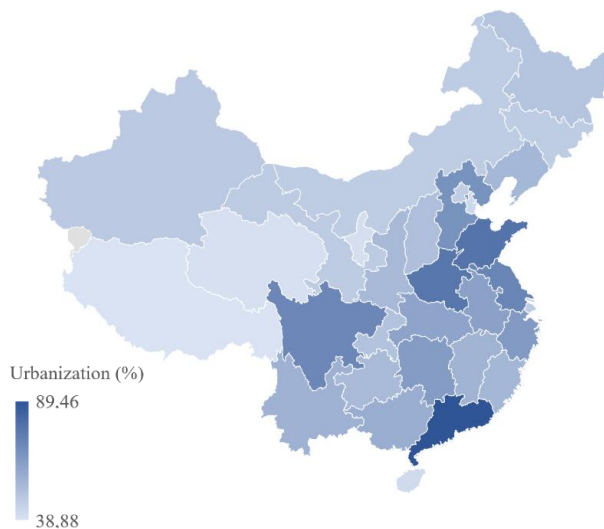
These distinctions between Mainland China, autonomously administered Hong Kong, and the separate system of Taiwan are fundamental to understanding the political and administrative situation of China as a state, as well as the conceptual boundaries suggested by the term Mainland China (Wang *et al.*, 2022, pp. 22–23). In this thesis, the analysis is limited to Mainland China, with Hong Kong and Taiwan treated as distinct entities lying outside the jurisdictional scope of the PRC.

China is a single-party socialist state, in which a significant role is played by the Communist Party of China (CPC), which influences the shape of the market through the use of various administrative measures (Chen & Rithmire, 2020; Kroeber, 2020, pp. 42–43; Chen & Zhao, 2023, p. 5; Chi, 2023). China is governed solely by the CPC, which maintains strict oversight over political institutions, media, and civil society. The party's top leader simultaneously occupies the offices of president and chairman of the Central Military Commission, consolidating supreme authority over both the state apparatus and the armed forces (Economy, 2019, p. 2). The Chinese government exercises strict social control through censorship, surveillance, and restrictions on freedom of speech and assembly. This control extends to online platforms and social media, where dissenting voices are often silenced (Kroeber, 2020, p. 26). In China, there is a maintenance of strong control over society through censorship, monitoring of online activity and restriction of civil liberties. Moreover, a social evaluation system has also been introduced, which influences citizens' rights and privileges depending on their social behaviour (Koty, 2023).

China can be called a country characterised by the adoption of a long-term planning perspective. According to the Hofstede & GLOBE research (Hofstede, 2011), China is the country with one of the highest rates of long-term orientation. Decisions concerning the economy are rarely discussed in the media or on the international stage and are announced by the country's key politicians. This issue was even raised by U.S. – China Economic and Security Review Commission in the Annual Report to U.S. Congress in 2022. Although liberalisation processes are undergoing, the state continues to influence the direction of economic development through strategic planning. The direction of the state's development is determined by adoption of the five-year plans. In China the 14th Five-Years Plan is currently in force (State Council, 2025).

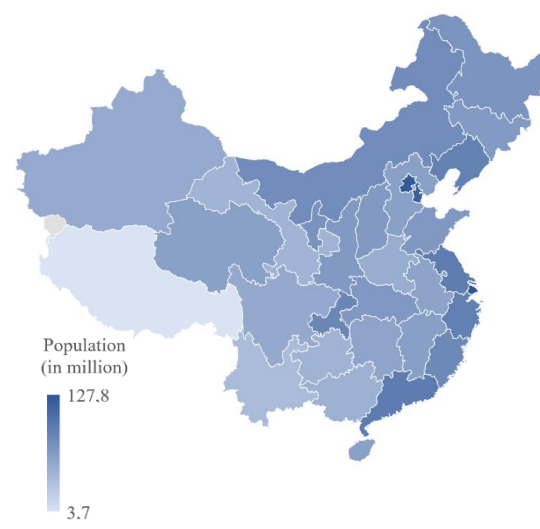
China is a very diverse country in terms of economic development and institutional environment. Despite rapid economic growth, income inequality in China remains a significant issue, with disparities between urban and rural areas and among different regions of the country (Wang *et al.*, 2022, pp. 11–12). The better developed part of China is the east of the country, while the west is less developed (Huang *et al.*, 2025). Charts 3.1 and 3.2 visually present the level of development of Chinese provinces in terms of urbanization and population.

Chart 3.1. Urbanisation level by Chinese Province in 2024



Source: own elaboration based on Statista. (2025a). *China: Urbanization by province.* [https://www.statista.com/statistics/1088173/china-urbanization-rate-by-region-province/?srsltid=AfmBOorXbcd4IyhuL8wzmPQMT8gztEKqvXU9tBGf1vd9TQ\\_QEWnUjCZs](https://www.statista.com/statistics/1088173/china-urbanization-rate-by-region-province/?srsltid=AfmBOorXbcd4IyhuL8wzmPQMT8gztEKqvXU9tBGf1vd9TQ_QEWnUjCZs) (access as of 01.12.2025).

Chart 3.2. Population across Chinese Provinces in 2024



Source: own elaboration based on Statista. (2025b). *China: Population by region 2024.* [https://www.statista.com/statistics/279013/population-in-china-by-region/?srsltid=AfmBOorAN1PEVa5g4ujTrdWDKLBMDMJj5v1JiMR\\_VPaQBwBdqCiC4821](https://www.statista.com/statistics/279013/population-in-china-by-region/?srsltid=AfmBOorAN1PEVa5g4ujTrdWDKLBMDMJj5v1JiMR_VPaQBwBdqCiC4821) (access as of 01.12.2025).

This disparity between provinces in China is mainly due to historical patterns of trade, infrastructure development, and proximity to international markets (Pan & Brooker, 2014). Additionally, preferential government policies and FDI have further reinforced the east’s dominance in economic growth and corporate expansion (Cao *et al.*, 2022, p. 107; Wang *et al.*, 2022, pp. 355–356). Indeed, the east of the country is where the most developed cities are located, as well as where most companies listed on foreign stock exchanges are headquartered (Pan & Brooker, 2014, p. 5; Huang *et al.*, 2025).

In the context of China's economic and political system, it is important to note the *guanxi* and *tianxia* themes. The term *guanxi* refers to the network of personal relationships and social connections that play an important role in establishing and maintaining business as well as personal contacts (Joseph, 2024, pp. 22–23). In China, relationships turn out to be more important than laws and rules (Xiong & Zhao, 2021) and Chinese capitalism is hybrid in form, combining modern corporate management with the traditional use of social networks (Lin *et al.*, 2017; Wang *et al.*, 2022, p. 442). The second concept, i.e. *tianxia*, understood as ‘all under heaven’, implies a vision of a Sinocentric regional order. *Tianxia* influences China's economic development by justifying its foreign policy and promoting a hierarchical order with China in the centre. This concept is perceived as a foundation underpinning initiatives like the Belt and Road Initiative. It is an initiative announced in Kazakhstan in September 2013 by President Xi Jinping (Rahman & Rahman, 2019; Kroeber, 2020, p. 309–311), enhancing China's geopolitical influence (Babones, 2019; Chou & Demiryol, 2024).

As one of the world’s superpowers, China shapes and influences the dynamics of international economic relations (Baumann *et al.*, 2024, pp. 51–52; Joseph, 2024, pp. 3–4). Table 3.1 presents China's ranking in key economic indicators over time.

Table 3.1. China's position in global economic indicators over time

Economic indicator	1978	1990	2000	2005	2010	2015	2017	2024
GDP	10	11	6	5	2	2	2	2
Value of import and export	29	15	8	3	2	1	1	1
Export	31	15	7	3	1	1	1	1
Import	29	17	8	3	2	2	2	2

Source: own elaboration based on Wang, J. L., Shunlin, L. & Peijun, P., (2022). *Geography of contemporary China*. Springer International Publisher, p. 12 and Chinese Government. (2025). *China imports 7.4 trln yuan of consumer goods in 2021–2024*. The State Council The People’s Republic of China. [https://english.www.gov.cn/archive/statistics/202507/18/content\\_WS6879f260c6d0868f4e8f442c.html](https://english.www.gov.cn/archive/statistics/202507/18/content_WS6879f260c6d0868f4e8f442c.html) (access as of 01.12.2025).

As data shows, China has held a leading position in these measures in recent years. The development and structure of Chinese economy are distinctive on a global scale, exhibiting characteristics that are not observed in any other country. In 2023 economic forecasts claimed that China is expected to become the world's largest economy by 2030 (Singh, 2023). However, in the face of a rapidly changing reality, these forecasts are no longer so clear-cut. The Centre for Economic and Business Research (CEBR) indicates that China will remain in second place globally until 2039 (CEBR, 2024, p. 25).

### **3.1.2. Position and role of the State-Owned Enterprises (SOEs) in China**

The driving force of the Chinese economy is the State-Owned Enterprises (SOEs). The Chinese government, through these entities, carries out both national and local development plans (Petry, 2020b; Fang & Ruan, 2023; Ni, 2023). Initially, Chinese enterprises were characterized by being wholly owned and managed by the state. Furthermore, the government was responsible for all strategic decisions in the most critical areas of these enterprises' operations, such as financial management, sales strategy, and personnel. Consequently, SOEs could only operate within the scope of activities designated by the state. Importantly, SOEs could not retain foreign currency and could not manage the profits generated from their operations. All profits were transferred to the state. The Chinese government began to recognise the need to change the operation of SOEs after the Cultural Revolution of 1966–1976. The late 1970s marks the beginning of significant changes for China, which significantly altered the operation of SOEs (Lin *et al.*, 2020).

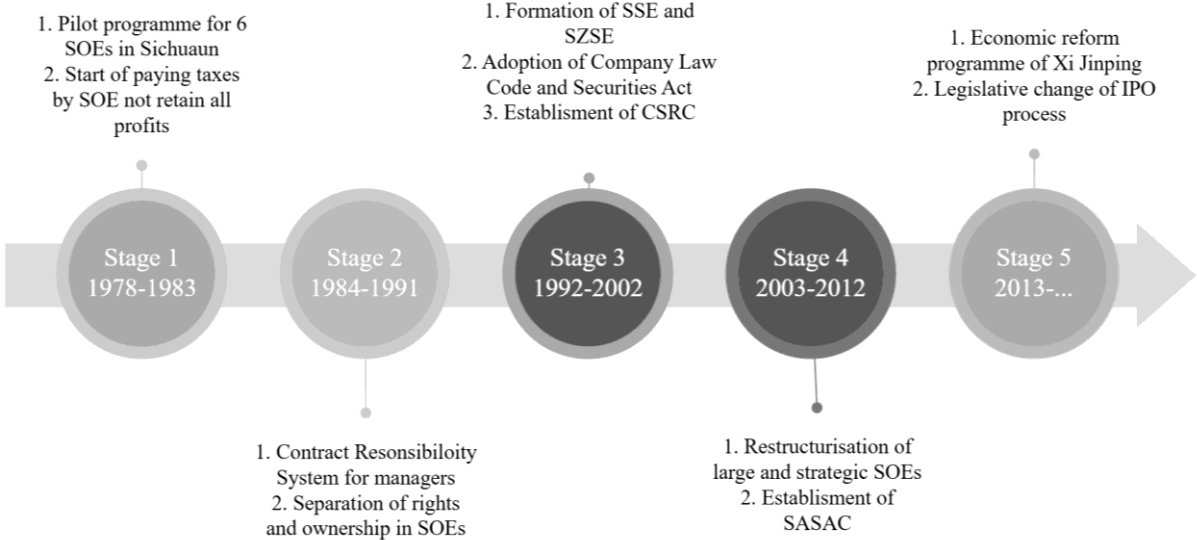
It is indicated in the literature that the internationalisation of Chinese enterprises unfolded in several distinct stages. An overview of this process, highlighting the major phases and their defining characteristics, is presented in Chart 3.3.

The first one is pointed to 1978–1985 (Lin *et al.*, 2020), in which the government decided to introduce a pilot programme involving 6 SOEs in Sichuan province (Economy, 2019, p. 105). These enterprises were given several freedoms involving the possibility of retaining part of their profits in return for which an income tax was introduced at a rate of 55%. These enterprises were also allowed to retain some foreign currency. It is also significant that these enterprises began to be recognised as independent entities for the first time, which had the right to produce and operate independently (Lin *et al.*, 2020; Huang, 2023, pp. 11–12).

The second stage of the development of SOEs was from 1984 to 1992. This period mainly focused on the reform of the operating rights of SOEs and begins with the 12th Congress of the CPC of China when the policy of the Contract Responsibility System (CRS) was adopted.

Under this policy, managers were given certain rights to manage SOEs based on work contracts between the government and the manager (Huang, 2023, pp. 13–16). They were also allowed to retain excess profits that were generated beyond a predetermined limit (Lin *et al.*, 2020). The ownership of shares in SOEs was transferred to managers or non-governmental institutions as part of non-public (private) transactions, reflecting a gradual change in ownership structures and control mechanisms (Guo *et al.*, 2018, p. 577). As Lin *et al.* (2020) points out, by the end of 1988, 93% of enterprises were using the CRS. However, despite the granting of many freedoms and noticeable improvements in the operation of enterprises, the CRS ultimately proved to be a seemingly effective system, as approx. 40% of SOEs in the early 1990s suffered losses (Lin *et al.*, 2020).

Chart 3.3. Phases of internationalisation of Chinese SOEs



Source: own elaboration based on Lin, K. J., Lu, X., Zhang, J., & Zheng, Y. (2020). *State-owned enterprises in China: A review of 40 years of research and practice*. China Journal of Accounting Research, 13(1), pp. 31–55.

The third phase of the internationalisation of Chinese enterprises is considered as 1992–2002. This period was in turn characterised by the reform of property rights and begins with the delivery of a series of speeches by China's chief reformer Deng Xiaoping (Wen & Sonnerfeldt, 2021, p. 202). The same year also saw the holding of the 14th National CPC of China, which adopted a statement significant to China's further development that 'the goal of China's economic reform is to establish a socialist market economy'. This period also saw the taking of three measures that can be referred to as milestones in the development of SOEs in China. The first was the establishment of the Shanghai and Shenzhen stock exchanges (Lin *et al.*, 2020; Huang, 2023, pp. 13–15). The significance of the impact of this event on the

development of SOEs is evidenced by the fact that these stock exchanges were opened to allow these entities to raise additional capital through national IPOs (Guo *et al.*, 2018, p. 577; Xu *et al.*, 2024a). The second was the establishment of the CRSC in 1992, the market regulator (Allen & Shen, 2013, pp. 164–165; Guo *et al.*, 2018, p. 577). The third milestone was the adoption of the Company Law Code, which provided the legislative framework for the establishment of corporate structures in these companies and the operation of joint stock companies (Economy, 2019, p. 105; Huang, 2023, pp. 13–16). This code entered into force in 1994. The last milestone was the adoption of the Securities Act in 1999, which adopted the legislative framework for the stock market in China (Liu & Li, 2019; Petry, 2020b; Huang, 2023, pp. 13–16).

The changes that were made to enterprises at the time were to improve their efficiency, lay off excess staff and improve operations (Wen & Sonnerfeldt, 2021, pp. 203–204). An illustrative example of these reforms is the changes in the number of SOE employees. In 1997, there were 70 million people employed, while only eight years later their number had been almost halved to 37 million (Wildau, 2016). It should also be noted that a significant decision for the development of the Chinese economy was taken during this period, i.e. China joined the WTO in 2001. This event is widely described in the literature as the start of a process of trade liberalisation, refraining from unfair market practices and market development (Economy, 2019, p. 103; Du & Kong, 2020; Kroeber, 2020, p. 275). In 2001, with the adoption of the next Five-Year Plan, China introduced a new government policy called the Go Out strategy (Zámborský *et al.*, 2023, p. 100).

The fourth phase of internationalisation was from 2003 to 2012. After 2003, the reform of China's SOEs focused on restructuring large and strategic SOEs to address unclear ownership rights. The reform required all central SOEs to employ external directors, participating in key decision-making and evaluating managers. By the end of 2018, 90% of central SOEs had implemented or were in the process of implementing this board reform (Lin *et al.*, 2020). In March 2003 China established the State Assets Supervision and Administration Commission (SASAC) to act as a shareholder of central SOEs on behalf of the central government (Economy, 2019, p. 105). Reporting directly to the State Council, SASAC oversees large and strategic SOEs, but has no administrative functions. At the end of 2002, SASAC supervised 189 SOEs (Lin *et al.*, 2020).

The next phase of reform began in 2013 with an economic reform programme initiated by Xi Jinping (Chen & Rithmire, 2020, pp. 262–263; Kroeber, 2020, p. 126; Lee *et al.*, 2023, p. 45). These reforms were aimed at restructuring SOEs and defining the role of the CPC in

interfering with their operations. Ultimately, the government's role for SOEs was to be reduced (Economy, 2019, p. 108). Legislative action was taken in 2015, the effect of which was to engage the CPC committee before presenting decisions to the SOEs board. The effect of this was that the CPC had more powers than the board itself. However, despite the expectation that all companies would adopt the adopted rules, the effect was different. Three years after the new rules were adopted, almost 13% of central SOEs and almost 10% of local SOEs had not implemented them (Lee *et al.*, 2023, pp. 48–49). These reforms are judged to be marginal for the market itself (Economy, 2019, p. 108).

A review of the successive stages of these reforms indicates that SOEs constitute a foundational component of China's economic structure and remain instrumental to the functioning of numerous strategic industries. Due to their scale and scope of operations, SOEs have a significant impact on China's overall economic development. SOEs, which operate at central and local levels (Leutert, 2020), are often seen as a government tool to ensure the country's security and sovereignty in key sectors such as energy, defence or natural resources (Chen & Rithmire, 2020). Research confirms that SOEs follow riskier policies and make investments in countries with higher risks. Due to the influence of the Chinese authorities on SOEs activities, they become less predictable than private operators (Carpetner *et al.*, 2021).

The importance of SOEs in the global economy can be evidenced by the fact that 130 companies from China including Hong Kong and Taiwan were ranked among the largest companies in the Fortune 500 in 2025. Interestingly, 124 of these companies are Chinese Mainland companies. The number of Chinese companies remains relatively similar each year: 135 in 2023 and 124 in 2024 (Fortune, 2023; SSE, 2025d). These results are also similar in the widely recognised Forbes Global 2000 ranking published in 2025, in which companies from China also have a high ranking (Ho, 2025). The position of China in this ranking underlines the importance of Chinese companies globally.

In terms of obtaining foreign financing, companies in China finance their operations using in a significant part the banking system (Qian *et al.*, 2022). Only 30% of corporate financing is sourced from capital markets (Kroeber, 2020, p. 162). The stock market has historically not played a large role in the Chinese economy (Petry, 2021, p. 608). In view of the low stage of development of stock exchanges, many companies are looking to list on foreign stock exchanges. There are greater prospects in this regard for SOEs and for large private companies such as Alibaba or Tencent (Fried & Kamar, 2020; Kroeber, 2020, p. 175; Shao *et al.*, 2025).

In the literature, the internationalisation of Chinese companies is also presented as levelling the negative effects of SOEs' internal governance. This is related to the need for companies to adapt their management mode and corporate governance to the external environment (Economy, 2019, pp. 106–107; Leutert, 2020). Research by Xie *et al.* (2022) also indicates that the higher the degree of internationalisation Chinese companies exhibit, the more positive the effect of government subsidies on corporate innovation is observable (the research was conducted on a group of listed Chinese companies from the high-tech and automobile manufacturing industries).

The discussion of the advantages and disadvantages of SOEs is widely addressed in the literature (Economy, 2019; Leutert, 2020; Lin *et al.*, 2020; Xie *et al.*, 2022; Ni, 2023; Postuła *et al.*, 2025). It is pointed out that SOEs can only operate at this level in countries with a high degree of state influence on policy. The most commonly cited advantages of SOEs are that they operate at low productive capacity, they can support a country's economic growth through government intervention in the market, social stabilisation and maintaining control over key sectors (Economy, 2019, p. 106; Lin *et al.*, 2020). Moreover, SOEs benefit from strong government connections, which facilitate access to external financing at lower costs (Ni, 2023), particularly during macroeconomic uncertainty and crisis (Postuła *et al.*, 2025). SOEs are seen as a good tool to develop high-capital-intensive industries. The ability to use interventionism allows the development of those industries that require a long development time and applied resources, which would be difficult with private enterprises (Fang & Ruan, 2023; Ni, 2023). SOEs also help maintain social stability and control over key elements of society (Lin *et al.*, 2020).

SOEs are also subject to criticism. These enterprises show lower performance than private enterprises. This is due to the fact that they are treated as state-owned assets and entities that have to absorb political risks (Leutert, 2020; Lin *et al.*, 2020). In addition, the lower efficiency is supported by the fact that SOEs are guaranteed state support in the form of loans or tax exemptions in case of financial problems. To the list of reasons for the low efficiency of SOEs, one can also point to the low motivation of managers related to the lack of an efficient labour market in China and the very high state influence on their operations (Leutert, 2020; Lin *et al.*, 2020). It is also pointed out that *'the internationalisation of SOEs is argued to defy international business theory because the rationale for their existence is predicated on market failures and imperfections at home. SOEs are therefore seen as agents of the long arm of the government to address political objectives. It follows from this politicised perspective of the SOE that an economic rationale for their international investments has been difficult to identify.'*

*These firms have, in a sense, a competitive advantage in addressing political objectives, yet they are argued to have no competitive advantage based on their managerial capacities'* (Buckley & Voss, 2020, p. 58).

The development of Chinese SOEs should be also linked to geopolitical processes in the world, which determine their further development (Petry, 2020b; Zámorský *et al.*, 2023). Nowadays, SOEs face many challenges related to deglobalisation processes. Zámorský *et al.* (2023) list the three most important challenges currently facing Chinese companies. Firstly, it is the more difficult access to technology, key machinery and components as well as financing. Lack of access to these things slows down the growth of companies and limits their transfer between countries. Secondly, issues hindering the internalisation of Chinese companies are the economic and political isolation of Western countries. The introduction of export restrictions on semiconductors imposed by the US, or trade restrictions on various materials between China and Canada and Australia are cited as examples. Finally, the last challenge identified by the authors is the widening institutional distance, understood as differences in legal norms and cultural beliefs between Western countries and China. As an example, the regulation of new technologies or privacy and data protection can be mentioned.

Despite the reforms undertaken towards internationalisation, China is still a country that controls the economy to a very large extent (Fang & Ruan, 2023). China is rationing access to its market to foreign investors, as well as applying a number of restrictions aimed at strengthening its control over the foreign activities of domestic players. The progression of the internationalisation of the Chinese stock market, however, seems inevitable in the face of a further lifting of the restrictions present in the market (Chen & Sun, 2022). According to Haasis & Liefner (2019), there are two possible scenarios for the internationalisation process of Chinese companies. The first one is the further integration of China into the global economy and the adaptation of Chinese companies to reflect Western companies' way of doing business. The second scenario is the opposite and is based on the idea of China following its own development path, which will be significantly different from the system adopted by Western countries. This would involve the continuation of government control over many aspects of the functioning of the economy and the strong influence of policy decisions made in the state on the way businesses operate. This scenario is all the more likely as China, in light of at least competing with the US, pretends to hold such a title (Kroeber, 2020, p. 12; Fang *et al.*, 2023).

### 3.2. Overview of the Chinese stock market

Stock exchanges in China do not have a long history, as their 30th anniversary was celebrated in 2020 (Zhang, 2022b, p. 75). Reforms carried out in the 1970s laid the foundations for the stock market established later (Pan & Mishra, 2018, p. 664). As mentioned above, the Shanghai and Shenzhen stock exchanges were established in 1992, during the third stage of the internationalisation of SOEs in China, which is considered a milestone in the development of Chinese enterprises, but also the capital market in China. The legislative basis for the start of the development of the stock market in China was adopted at the end of the 20th century, which is also significant event (Lin *et al.*, 2020).

It is indicated in the literature that the main purpose of establishing a stock market in China was to enable SOE privatisation reforms (Carpenter & Whitelaw, 2017, p. 236) and to provide an alternative to bank financing (Chi, 2023). It should be emphasised that China's stock market is different from the functioning of neoliberal Western stock markets, which appear as listed companies that must, like other operating companies, make sometimes risky business decisions in order to remain in the market. The purpose of the establishment of China's state-owned stock exchanges was to promote the development of capital markets described as state-capitalist, i.e. those that operate according to institutional rules derived from the economic model in China. China's stock exchanges are supervised and controlled by the Chinese authorities following the logic of state capitalism, as well as being subject to interventionist measures (Piotroski & Wong, 2013, pp. 219–222; Petry, 2021, pp. 608–610).

In China, two types of shares are admitted to trading, i.e. non-floating and floating shares (Xu *et al.*, 2024a). Non-floating shares were held by SOEs, company insiders, or other restricted investors and were not accessible for public trading. This meant that the majority of a company's equity was effectively locked, limiting liquidity and market participation. (Beltratti *et al.*, 2016, p. 125). Floating shares were those available for trading on the stock exchange, but in practice, only a limited number of investors could actually buy and sell them. These shares represented a small portion of the total equity of the company (Xu *et al.*, 2024a). As indicated by Beltratti *et al.* (2016, p. 125), approximately 66% of the Chinese stock market consisted of shares that were not tradable at the beginning of 2005 (Huang, 2023, pp. 17–18). According to Xu *et al.* (2024a), the share of market capitalisation of non-floating shares has decreased significantly from nearly 80% in the early 1990s to less than 20% in 2020.

There were two reforms crucial to the development of the Chinese stock market. The first one relates to launched programme in 2002 which allowed the Qualified Foreign Institutional Investors (QFII) to acquire A-shares (Piotroski & Wong, 2013, pp. 236–237;

Tsafack & Guo, 2021). The QFII is a Chinese licensing system that allows selected foreign investment institutions direct access to the domestic capital market in China, primarily to trade A-shares, i.e. shares traded on the SSE and SZSE. The programme was launched in 2002 as a way of partially opening up a heavily controlled market while maintaining oversight through licensing requirements and investment limits (Huang, 2023, pp. 17–21).

The second reform was in 2005 and led to the liberalisation of securities trading rules in China allowing the acquisition of previously non-transferable securities (Beltratti *et al.*, 2016). As indicated by Tsafack & Guo's (2021) research, the implementation of these reforms aimed at improving the institutional environment contributed to increasing foreign investors' participation in the Chinese market.

In Mainland China there are currently three stock exchanges – the Shanghai Stock Exchange (SSE), Shenzhen Stock Exchange (SZSE) and Beijing Stock Exchange (BSE) which was established in 2021 (Huang, 2023, pp. 23–24; Yang & Zhao, 2023). According to the SSE website, the SSE is the largest stock exchange in Mainland China in terms of total market capitalisation and amount of capital raised through IPOs, with the largest number of large companies listed (Xu *et al.*, 2024a). Both the SSE and SZSE feature main markets and separate markets for smaller, high-growth companies. Related to the SZSE is the ChiNext Board also known as the Growth Enterprise Market (GEM) (Huang *et al.*, 2021). On 22 July 2019, the SZSE opened a new market STAR (Chen, 2022; Yang & Zhao, 2023, p. 39).

Since its establishment, stock exchanges have grown rapidly. Initially, China's stock market listed SOEs. It was only after the 2005 reform and the establishment of the SEM markets in 2004 and the GEM in 2009 that there was an increase in the activity of private companies that could meet the listing requirements (Kroeber, 2020, p. 176). The period of rapid growth in the listing of Chinese companies between 2006 and 2007 comes shortly after the opening of the SEM market to companies that did not comply with the more restrictive issuance conditions (Hu & Wang, 2022).

It is also important to highlight the role of the Hong Kong Stock Exchange (HKEX). Even though Hong Kong went back to China in 1997, the listings on the local stock exchange are still treated as foreign ones – both in the literature and in the China Securities Regulatory Commission (CSRC) guidelines, which cover Hong Kong in procedures related to foreign issues. This argument is also supported by differences in the legal environment. Hong Kong's legal system, which is closer to Western markets than to Mainland China (Hung *et al.*, 2012) is often treated as a separate market in comparative studies (Liu & Li, 2019; Cheng *et al.*, 2021; Wang *et al.*, 2023; Allen *et al.*, 2024). Considering the above findings, as well as analysing the

literature, this thesis also assumes that Hong Kong is a foreign market for companies from Mainland China.

In China, investors have access to seven stock markets – Shenzhen A, Shanghai A, Shenzhen B, Shanghai B, SEM, GEM (Yang *et al.*, 2018) and National Exchange and Quotations (NEEQ) (Yang & Zhao, 2023). The main securities markets where the securities of the largest companies are issued are the Shenzhen A and Shanghai A markets. Chinese listed companies may issue multiple classes of shares. For illustrative purposes, the main types of share classes employed by Chinese firms are summarised in Table 3.2.

Table 3.2. Shares categories issued by Chinese companies

Shares category	Stock market of issuance
A shares	Shenzhen A and Shanghai A markets, SEM market
B shares	Shanghai B, SEM, GEM
H shares	HKEX
L shares	LSE
N shares	NYSE
S shares	Singapore Stock Exchange

Source: own elaboration based on Huang, F. (2023). *Chinese and global financial integration through stock connect: A legal analysis*. Hart Publishing.

A shares are denominated in RMB (Hu & Wang, 2022, p. 481). As Yang *et al.* (2018) point out, the difference between these markets lies in the type of companies that are listed in these markets. Shenzhen has more private companies listed, while Shanghai is a stock exchange dominated by large SOEs (Yang *et al.*, 2018, pp. 116–117). Importantly, the markets where A-shares are offered are accessible to Mainland China and QFII investors (Allen & Shen, 2013, pp. 153–154; Piotroski & Wong, 2013; pp. 236–237; Tsafack & Guo, 2021, pp. 3–4).

On markets where Series B shares are issued, foreign investors have access to financial instruments. Companies that do not meet the requirements for listing Series A or B financial instruments may issue securities on the SEM market, which is intended for smaller enterprises. Series B shares may also be issued on the GEM market. This market may list companies that do not meet the issuance requirements of the other markets (Yang *et al.*, 2018, pp. 116–117). The NEEQ market of BSE has been in place for a short time and lists technology companies that are not able to meet the requirements of SEM or GEM (Yang & Zhao, 2023).

It is necessary to point out four more types of shares that are listed by Chinese companies on foreign exchanges. The first, i.e. H-series shares, are shares of Chinese companies

(i.e. companies whose country of incorporation is Mainland China) that are issued on the HKEX (Huang 2023, pp. 18–19). The second, i.e. N series shares, are listed on the NYSE. The third ones, i.e. the L series shares, are in turn shares of Chinese companies listed on the LSE (Tsafack & Guo, 2021, p. 3). The last of these, i.e. S shares, are issued on the Singapore Stock Exchange (Allen & Shen, 2013, pp. 153–154). In addition to companies incorporated in Mainland China, there are also companies that are based outside China. These include Red Chip Companies, controlled by Mainland China Government entities, and Chinese private enterprises, controlled by private individuals (Chen, 2022; Heng & Wu, 2022, p. 482).

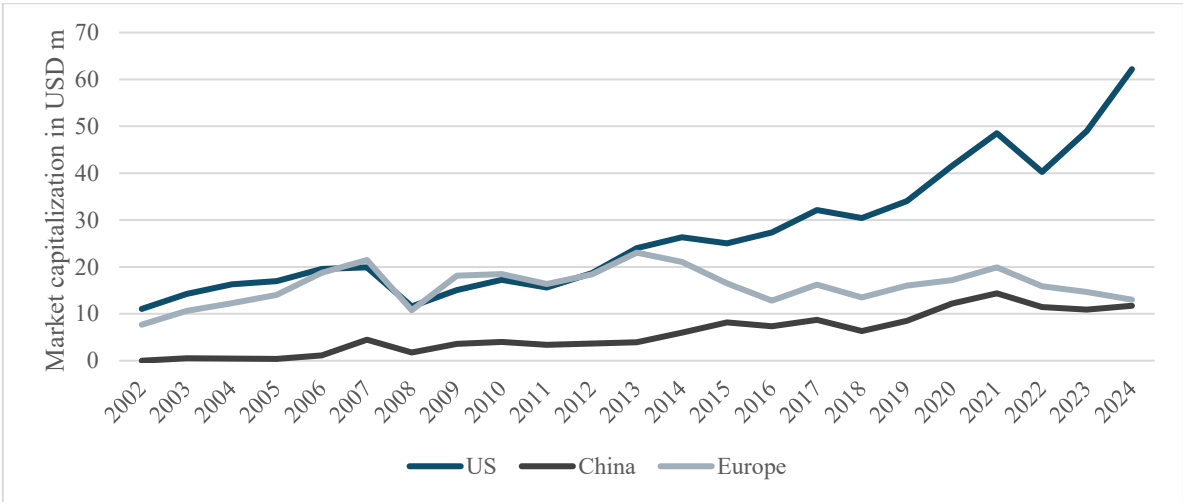
China also has a so-called lock-up, which is a period during which investors cannot sell shares (Lockett & Leng, 2023; Yang & Zhao, 2023, p. 46). Under market regulations, equity shares acquired by an investor on a specific trading day are subject to a settlement restriction, which prevents same-day resale. The newly bought shares may only be sold on the subsequent trading day (Hu & Wang, 2022, pp. 486–487; Bian *et al.*, 2022, p. 2). Despite attempts to introduce a restriction on speculation in the market, the results of Bian *et al.* (2022) showed that lock-up negatively affects stock valuation.

Despite certain regulatory limitations, Chinese tax law generally does not impose taxes on capital gains from stock market investments, although dividends received by investors remain subject to taxation (Hu & Wang, 2022, p. 485). This framework provides investors with a degree of predictability and encourages participation in the equity markets. In addition, public companies can generally expect relative stability and regulatory certainty once listed. The delisting of companies following their IPO remains relatively uncommon, reflecting both the selective nature of market entry and the stability of regulatory oversight in China (Xiong & Zhao, 2021). This controlled environment helps to maintain investor confidence, supports long-term capital formation, and reduces the volatility typically associated with markets where frequent delistings occur.

When analysing the Chinese stock market, it is also necessary to consider and compare its size and level of development in relation to other global stock markets. Therefore, the structure and dynamics of Chinese stock markets are discussed in an international context. In particular, it considers how the Chinese stock market compares to the major markets in the US and Europe, focusing on three key dimensions: market capitalisation, the number of listed companies, and the frequency and scale of IPOs.

Chart 3.4 begins by illustrating the market capitalization of stock markets in China, the US and Europe. Data published by PwC for Europe cover all stock exchanges in the European Economic Area (EEA) countries.

Chart 3.4. Market capitalisation of the stock markets by region in 2002–2024



Source: own elaboration based on WFE (2025). *Statistical portal*. <https://www.world-exchanges.org/> (access as of 15.11.2025).

At the beginning of 20th century, market capitalization of Chinese stock exchanges lagged behind the US and Europe. However, over time a sustained increase in the capitalization of Chinese stock markets is observed with particularly rapid growth from the mid-2010s and an even sharper acceleration after 2020.

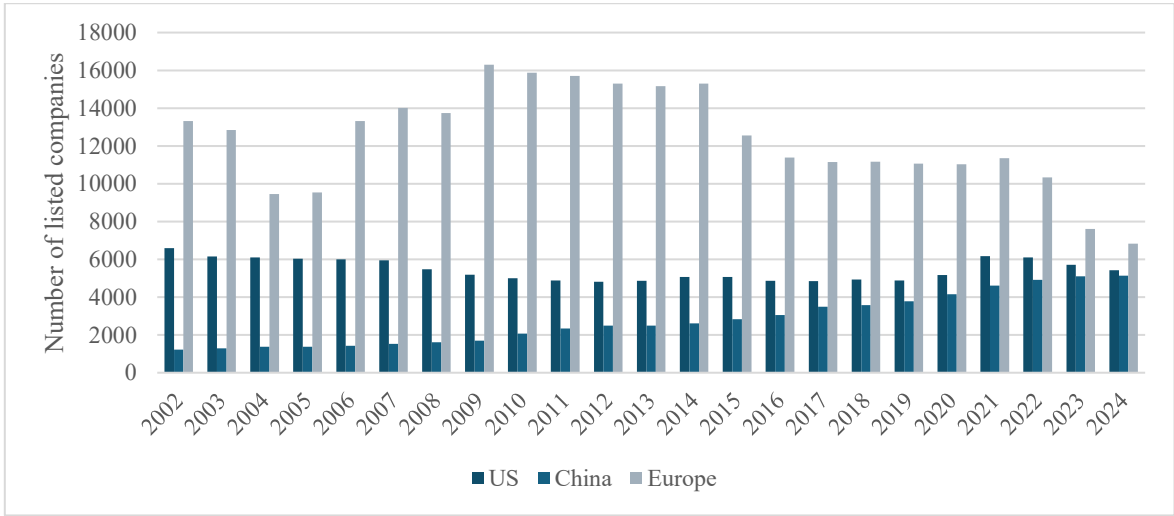
While the U.S. continues to serve as a global benchmark and remains the largest equity market in absolute terms, Europe represents a more mature but structurally less dynamic market, where capitalization has remained largely stable since around 2014 and has even slightly declined in recent years. Its significant lead over Europe and convergence with the US underscores the growing importance of Chinese stock exchanges for the entire system.

Next, the same exchanges were analysed in terms of the number of listed companies over time. As Chart 3.5 shows, the number of listed companies in China is steadily increasing, reflecting the expansion of Chinese domestic capital markets.

An analysis of the number of listed companies between 2002 and 2024 reveals varying trends in different regions of the global capital markets. In China, there has been a relatively stable increase in the number of listed entities, with the intensification of this process in recent years indicating the dynamic expansion of domestic capital markets.

In case of the US, the number of listed companies remains relatively stable, which is characteristic of a mature market (Demir *et al.*, 2025). In Europe a downward trend has been observed since around 2014. Considering the data presented, China stands out with a growing number of listed companies, which, together with an increase in market capitalisation, indicates a dynamic deepening of the capital market.

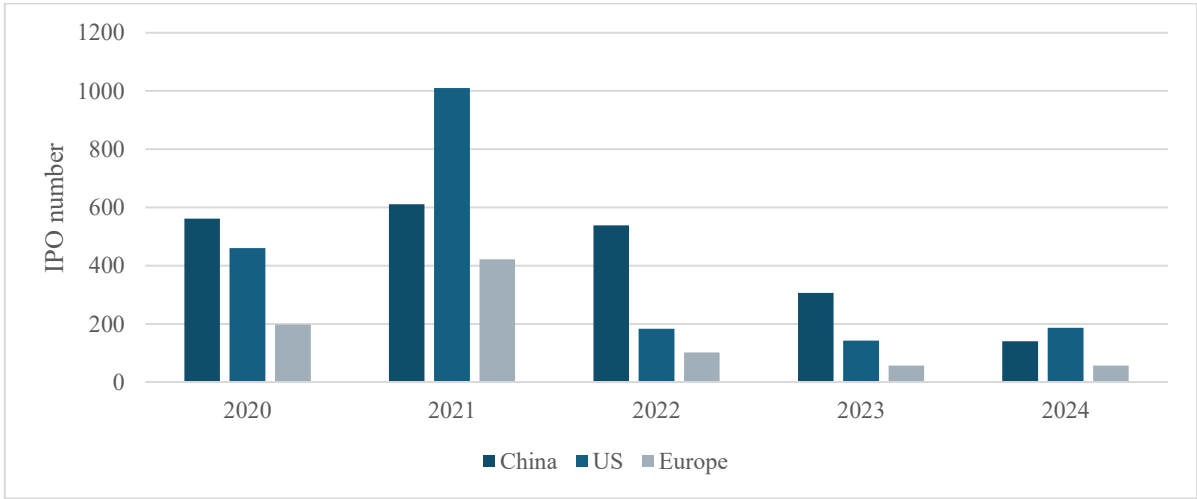
Chart 3.5. Number of listed companies on the global stock markets in 2002–2024



Source: own elaboration based on WFE (2025). Statistical portal. <https://www.world-exchanges.org/> (access as of 15.11.2025).

In the next step, the analysis focused on the dynamics of the stock market in China, particularly in relation to IPO activity. To provide a broader perspective, Chart 3.6 presents a comparative overview of the number of IPOs in China, the United States, and Europe over the past five years.

Chart 3.6. Number of IPOs in China, US and Europe in 2020-2024



Source: own elaboration based on PwC. (2023), *China IPO Watch 2022*, <https://www.pwccn.com/en/ipo/china-ipo-watch-2022.pdf> (access as of 01.02.2024) and PwC. (2025b). *Global IPO Watch Europe*. <https://www.pwc.co.uk/risk/assets/pdf/ipo/global/global-ipo-watch-2024.pdf> (access as of 01.12.2025).

An analysis of the number of IPOs in 2020–2024 indicates varying trends in different regions of the global capital markets. In China, the number of IPOs is characterised by

significant growth throughout the analysed period, reaching its highest level in 2021, followed by a gradual decline in 2022–2024.

In light of the data presented, it can be concluded that in recent years the Chinese stock market has undergone a profound, multidimensional transformation from a minor market into one of the key pillars of the global financial system. There has been an increase in scale, both in terms of capitalisation, number of listed companies and number of IPOs. It reflects the growing role of the stock market as a source of financing for corporate development and China's gradual opening up to foreign capital.

### **3.3. The regulatory framework for listing in China**

The institutional environment in China regarding going public, or listing on a stock exchange, is shaped by a combination of regulatory frameworks, government policies, market dynamics, and institutional arrangements. Accordingly, these interrelated components comprise the institutional environment in China governing the process of going public. By understanding and navigating this multifaceted ecosystem, it is crucial to understand the institutional environment.

China's economic growth and development have been accompanied by a complex system of regulations, overseen by various government agencies. Among these, there are a key institutions established on the stock market in China which play pivotal roles in shaping and overseeing different aspects of the economy, particularly in relation to business operations, SOEs, and securities markets, respectively (Kroeber, 2020, pp. 45–46). The presentation of the key authorities for stock markets in China are presented in Table 3.3.

Table 3.3 summarises the main tasks and responsibilities of the three key regulatory bodies involved in the process of listing Chinese companies on the stock exchange, i.e. SASAC, The Ministry of Commerce (MOFCOM) and CSRC. SASAC is primarily responsible for supervising SOEs, developing policies and approving applications for companies to be listed on the stock exchange in order to align the activities of these companies with the government's broader economic objectives (Lin *et al.*, 2020, pp. 38–40). MOFCOM focuses on cross-border listings and foreign investment, ensuring compliance with foreign trade and investment regulations while providing guidance to Chinese companies entering international capital markets (MOFCOM, 2025).

Established in 1992 (Pan & Brooker, 2014, p. 3), CSRC certainly plays a key role as the stock markets authority. It is the primary financial regulator responsible for overseeing securities, funds and futures markets, approving IPOs, monitoring market integrity and

managing systemic risk (Allen & Shen, 2013, pp. 164–167; Cong & Howell, 2021; Hu & Wang, 2022, p. 471).

Table 3.3. The supervisory oversight in China

<b>Assets Supervision and Administration Commission of the State Council (SASAC)</b>	<b>The Ministry of Commerce (MOFCOM)</b>	<b>The China Securities Regulatory Commission (CSRC)</b>
<p>The authority established in 2003, is the key government agency overseeing state-owned assets in China. It regulates and supervises SOEs’ participation in domestic and international capital markets, including IPOs and other capital market transactions. SASAC formulates policies and guidelines for SOE listings, reviews and approves listing proposals, and assesses financial viability, governance, and compliance. It also coordinates with regulatory bodies, financial institutions, and investors to facilitate the listing process and align SOE activities with broader government economic objectives.</p>	<p>It regulates the listings of Chinese companies, particularly in cross-border and overseas contexts. It oversees foreign trade, investment, and economic cooperation aspects, reviews and approves FDI, and ensures compliance with relevant regulations and international agreements. MOFCOM assesses strategic, economic, and risk factors related to cross-border listings and facilitates necessary approvals and documentation. It also provides guidance to companies throughout the listing process, offering information on market conditions, investment opportunities, and regulatory requirements.</p>	<p>It is the primary regulatory body overseeing securities, fund, and futures markets in China. It ensures market integrity and stability by formulating regulations, supervising market participants, approving IPOs for domestic and overseas listings, monitoring market activities, and managing systemic risks. The CSRC also plays a key role in cross-border listings, reviewing and approving applications of companies seeking to list abroad. As a central authority, it has significant influence over the stock market, including the ability to prioritize SOEs or defer certain applications.</p>

Source: own elaboration based on Lin, K. J., Lu, X., Zhang, J., & Zheng, Y. (2020). *State-owned enterprises in China: A review of 40 years of research and practice*. China Journal of Accounting Research, 13(1), pp. 31–55 and MOFCOM (2025), *About us*, <https://english.mofcom.gov.cn/About/index.html> (access as of 02.12.2025).

The CSRC as of main institution in China, shaping and leveraging the Chinese stock market. The CSRC, by preferring SOEs or deliberately deferring consideration of certain company applications, manipulates the stock market and responds to the political expectations of the authorities (Cong & Howell, 2021; Chen & Zhao, 2023; Chi, 2023; CSRC, 2023). The CSRC is accused of lacking independence and being highly corrupt (Huang *et al.*, 2021; Xiong & Zhao, 2021). These are supported by numerous accusations of corruption against top CSRC officials. For example, it includes the 2015 corruption indictment of Yao Gang, vice-president of the CSRC (Xiong & Zhao, 2021), as well as the 2019 cases involving commissioners responsible for reviewing IPO applications at ChiNext (Huang *et al.*, 2021; Chi, 2023).

All of these institutions illustrate the multidimensional regulatory environment in China, where state control, market supervision and international coordination intersect to shape the

process of taking companies public. MOFCOM, SASAC, and CSRC form a triad of regulatory bodies that exert significant influence over different facets of China's companies activities on the stock market. By examining their roles, functions, and regulatory frameworks, the valuable insights into the mechanisms and policies shaping China's business environment, SOEs and stock markets might be obtained.

The decision to list a company on a stock exchange generally has to be linked to the long-term strategy of the company. As indicated by Feng *et al.* (2024), it takes between one and five years in China to carry out the entire process from preparing a company for listing to issuing securities. This large discrepancy is related to the policies for companies as well as the sector in which the company operates. Thus, the requirements regarding going public in China are described by many authors as challenging and very strict (Pan & Brooker, 2014; Qian *et al.*, 2022; Yang *et al.*, 2023). The applicable model for IPO regulation as of 2023 is the disclosure-based system. This system relies on registration and focuses on assessing whether the information provided by the company has been presented correctly. The CSRC does not make a substantive assessment of IPOs (Chen & Zhao, 2023, pp. 1–2), and the formal listing process in China has become more transparent (Lockett & Leng, 2023).

Previously, the prevailing model was mainly the merit-based system with the disclosure-based system piloted. The merit-based system is vaguely the opposite of the disclosure based system. In this model, judgements were made as to the accuracy of the information contained and the merits of the proposed IPO. Therefore, this model was based on subjective opinions and was more time-consuming (Chen & Zhao, 2023, p. 5). With the change in the IPO regulation model in 2023, China joined the ranks of developed markets, where such a model is also applied, e.g. the US and Hong Kong (Chen & Zhao, 2023, p. 1). The above change is also seen as a continuation of the liberalisation process of the stock market in China (Chi, 2023).

To be listed overseas, a company must be compliant with all the requirements applicable to domestic listings (Feng *et al.*, 2024). Since 2023, Chinese companies seeking to conduct an overseas offering are required to obtain approval from the relevant supervisory authority, i.e. CSRC. Furthermore, any company intending to issue securities on foreign exchanges shall comply with a range of Chinese laws and administrative regulations.

The document that has a significant impact on the possibility of Chinese companies conducting IPOs abroad is the Catalogue for the Guidance of Foreign Investment Industries (hereinafter: Catalogue). This document classifies industries into those in which foreign investment is encouraged, restricted or are prohibited (Shi, 2014, pp. 1273–1274; Brown, 2017,

pp. 209–212). Companies in sectors that fall into the category of restricted sectors are required to obtain permission from the Chinese authorities in order to perform foreign investments. This primarily applies to banking, real estate, education, culture, TV, telecommunications, energy, or Internet. Accordingly, this regulation applies to broadly understood activities undertaken by companies outside Mainland China. Thus, companies doing business in sectors included in the Catalogue, wishing to issue securities on foreign exchanges, are required to obtain approval from the relevant executive body (Chen, 2022).

On 17 February 2023, the CRSC published new rules for the issuance of securities including equity shares for Mainland China companies in overseas securities markets entitled ‘Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies’ (hereinafter: Law for overseas listing). The new law was approved by the State Council and came into force on 31 March 2023. That legislation changed the rules for overseas listings and lengthened the approval process itself for such companies. This legislative change significantly extended the timeline required for Chinese companies to pursue an overseas listing. Prior to the introduction of new legislation, Chinese companies could go through the approval process for listing on a US exchange within 4–5 months, whereas due to the preparation period, the time has increased by an additional 12 months (Bala, 2023).

Therefore, under the new system, companies are required to submit an application to the CSRC before commencing the overseas listing process or within a specified time frame during the process. Although formally described as an application-based mechanism rather than an approval procedure, the new system significantly strengthens regulatory oversight. The CSRC retains the power to review, suspend or reject applications that it deems inconsistent with national security requirements, industry policy or broader regulatory objectives. As a result, Chinese authorities now exercise much greater control over the overseas capital-raising activities of domestic companies than under the previous system. The reform thus reflects a broader trend towards centralising oversight of cross-border financial flows and tightening regulatory coordination between domestic and overseas markets.

Chapter II of the Law for overseas listing indicates the actions that a company is required to undertake. Pursuant to Art. 6 of the Law for overseas listing, the sources of law for overseas listing are: Company Law of the PRC, Accounting Law of the PRC and other applicable laws, administrative regulations and relevant state rules. Furthermore, these provisions are particularly related to the specific requirements on making overseas investment, cyber security and data protection. The material scope of the most important laws is shown in Table 3.4.

Table 3.4. The legal sources relating to IPOs in China

	Source of law	Scope of regulation
Legal act	Company Law of the PRC	Provides a fundamental principles of commercial companies regarding their formation and organization
	Accounting Law of the PRC	Outlines the principles, procedures, and requirements for financial reporting, auditing, and accounting supervision in various entities, including enterprises, institutions, and government agencies
	Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies	Regulates the process of Chinese domestic companies seeking to offer securities and list on overseas stock exchanges
	Securities Law of the PRC	Governs various aspects of securities activities, including IPOs, securities trading, disclosure requirements, investor protection, and regulatory oversight.
Regulations	Rules Governing the Listing of Stocks on Shanghai Stock Exchange	Governs the listing of stocks and derivatives, as well as the information disclosure by issuers, listed companies, and other persons with disclosure obligations, maintaining an orderly securities market
	Detailed Rules of Shanghai Stock Exchange for Implementation of the Preferred Stock Pilot Program	Regulates the preferred stock pilot program, maintaining an orderly securities market, and protect the legitimate rights and interests of investors
	Rules Governing the Listing of Shares on the ChiNext Market of Shenzhen Stock Exchange	Outlines the listing of corporate shares, depository receipts, corporate bonds convertible into shares and other derivatives as well as the information disclosure
	Rules Governing the Listing of Shares on Shenzhen Stock Exchange	Regulates the listing of corporate shares, Chinese Depository Receipts (CDRs), convertible bonds and other derivatives as well as the information disclosure

Source: own elaboration based on public data of the SZSE. (2025b). *SZSE Rules*. Shenzhen Stock Exchange. <https://www.szse.cn/English/rules/siteRule/index.html> and SSE. (2025). *Listing*. Shanghai Stock Exchange. <https://english.sse.com.cn/start/sserules/stocks/listing/> (retrieved on 15.07.2025).

Article 6 of Law for overseas listings lists the basic obligations that a company must fulfil in order to seek a listing on foreign markets. In addition to the basic one concerning compliance with regulations, these duties are: improve internal control system, enhance corporate governance, and promote compliance in corporate finance and accounting practices. The additional obligations are indicated in Art. 9 of the Law for overseas listing in the form of timely rectification, commitment and divestiture of relevant business and assets, to eliminate or avert any impact on national security resulting from such overseas offering and listing. These obligations are incumbent on both the companies seeking to issue, as well as on securities companies, securities service providers and practitioners engaged in overseas offering and listing by domestic companies.

Article 8 of Law for overseas listings points out the restrictions on carrying out an issue of securities abroad that disqualify a company in the process:

a) where such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules;

b) where the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law;

c) where the domestic company intending to make the securities offering and listing, or its controlling shareholders and the actual controller, have committed crimes such as corruption;

d) bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years;

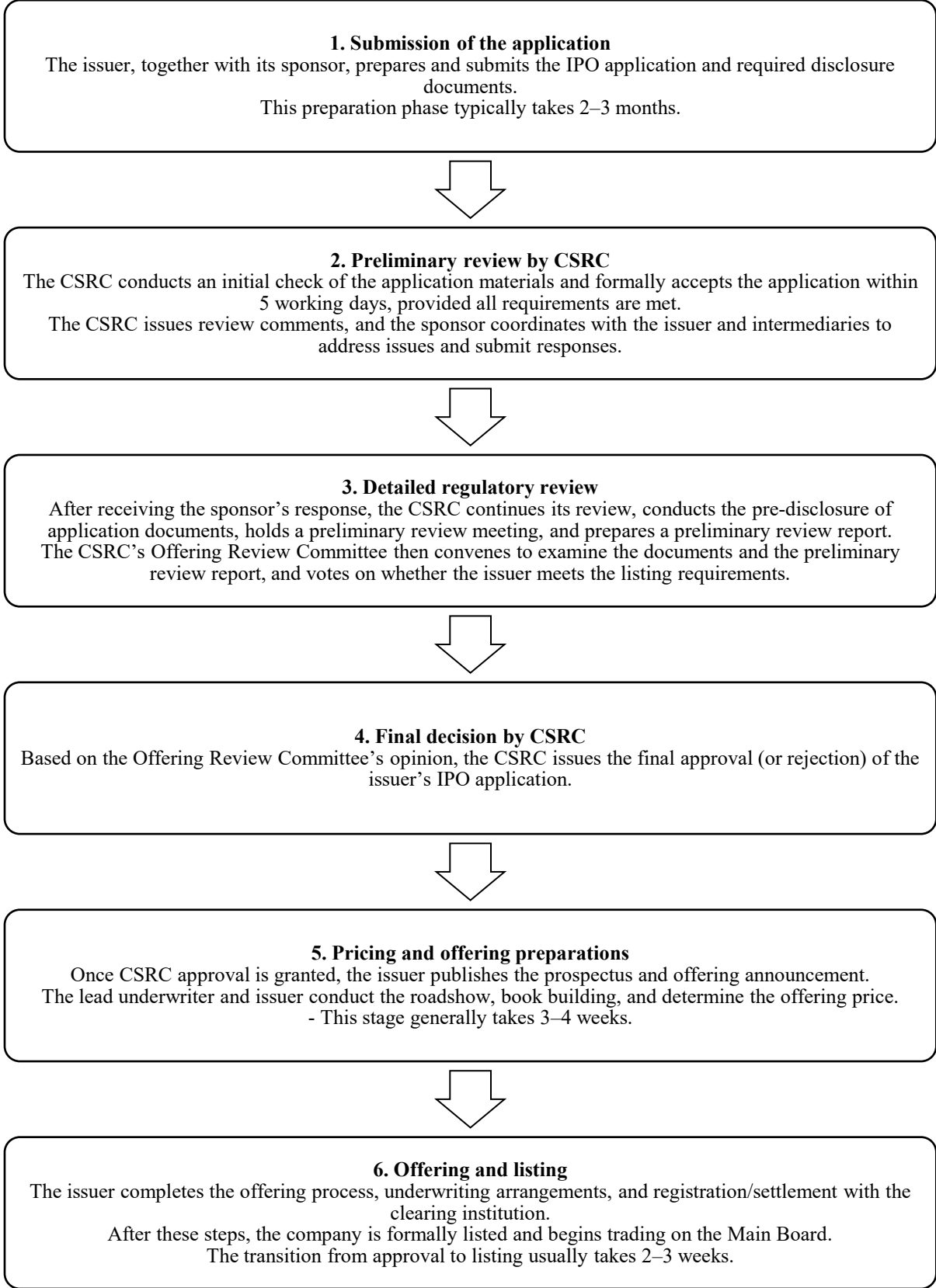
e) where the domestic company intending to make the securities offering and listing is suspected of committing crimes or major violations of laws and regulations, and is under investigation according to law, and no conclusion has yet been made thereof;

f) where there are material ownership disputes over equity held by the domestic company's controlling shareholder or by other shareholders that are controlled by the controlling shareholder and/or actual controller.

The approval process for companies seeking to be listed can be broadly divided into two main phases. The first phase involves the submission of the application by the licensed sponsor to the stock exchange, while the second phase concerns the approval by the CSRC. Nevertheless, the process encompasses more detailed steps, which are illustrated in Chart 3.7.

The first step consists of the issuer submitting its offering and listing application together with all required documents, including the sponsor's letter, audit report, and legal opinion. The application is filed through a licensed sponsor, typically an investment bank, which accompanies the issuer throughout the process and assumes responsibility for the accuracy and completeness of the submitted materials (Chi, 2023).

Chart 3.7. China’s registration-based system for processing company listing applications



Source: own elaboration based on SZSE. (2025a). *Listing process*. Shenzhen Stock Exchange. <https://www.szse.cn/English/listings/process/index.html> (access as of 01.12.2025).

In the second step, the stock exchange conducts a formal check of the application and decides within five working days whether the documents meet filing requirements (Chen & Zhao, 2023, p. 6). If accepted, the exchange initiates a substantive review carried out by its review team, which assesses the issuer's business, financial position, compliance record, and potential investment risks (Chi, 2023). During this stage, the exchange may issue several rounds of inquiries, hold regulatory consultations with the issuer, and, if necessary, conduct on-site verification of information (Chen & Zhao, 2023). After completing the review, the exchange prepares a review report.

The third step involves deliberations by the Listing Committee of the stock exchange, which evaluates whether the issuer meets the offering, listing, and disclosure requirements. If the Committee issues a positive opinion, the exchange proceeds to submit the application to the CSRC for registration.

The fourth step begins when the CSRC receives the application for registration. Under the registration-based system, the CSRC no longer performs a deep substantive review. Instead, it verifies the authenticity, accuracy, and completeness of the information disclosed by the issuer (Chi, 2023). The CSRC must approve or reject the registration within 20 working days, and historically, 70–80% of applicants receive approval (Packer & Spiegel, 2023).

In the fifth step, following CSRC registration, the issuer prepares for pricing and offering. Together with underwriters, the issuer conducts the roadshow, builds the order book, and determines the offering price. A subscription date is then set, and the offering is executed.

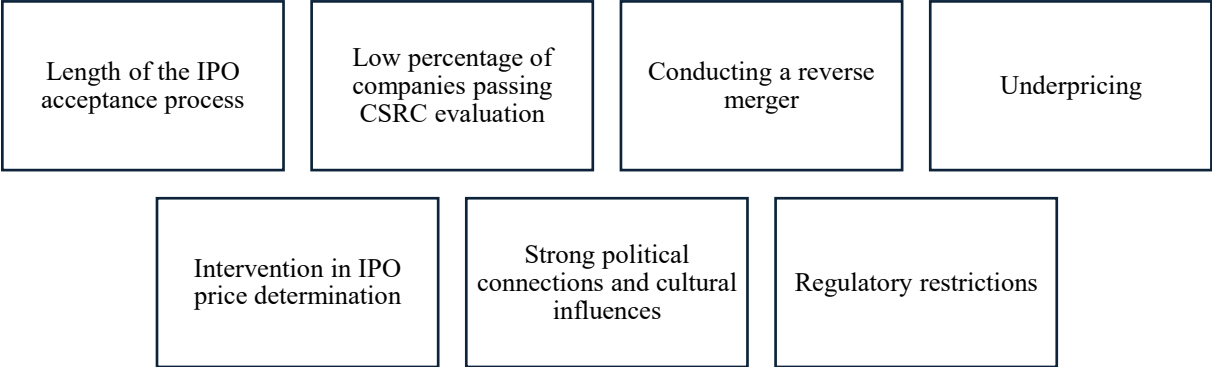
The sixth and final step is the listing. After completing the subscription and settlement procedures, the issuer's shares are admitted to trading on the stock exchange. Although the registration-based system streamlines the process, in practice the CSRC retains discretionary powers to suspend or delay the processing of applications when deemed necessary (Cong & Howell, 2021; Packer & Spiegel, 2023).

It is arguable what challenges are faced by companies that would like to make an IPO in China. These challenges are mainly faced by private companies, which, due to a low degree of development of the institutional environment, as well as having political connections that are not always in place, face problems to the greatest extent (Kroeber, 2020, p. 175; Cao *et al.*, 2022). The list of major barriers to listing on the Chinese stock market is presented in Chart 3.8. Understanding this issue is key to insight what factors of an internal nature drive Chinese companies to go public on the foreign stock markets.

The IPO acceptance process is considered to be lengthy and unpredictable in China (Chi, 2023). This issue is important considering the financial condition of the company. As Zhao *et al.*

(2023) point out, waiting for approval slows down a company's operations, reduces its competitiveness in the market and leads to a deterioration of its financial situation. Comparing the length of application processing in 2014 and 2017 to other stock exchanges, such as the US, the processing period is 4 times longer (Qian *et al.*, 2022). However, with the adoption of the new IPO acceptance system, this period may shorten. According to the Chinese government citing a report by the China International Capital Corporation, the waiting period for an IPO on the ChiNext board was reduced from 520 days to approximately 380 days, improving efficiency by around 27% (Xinhua, 2023). According to the timeline of the listing process published on the SZSE website, the planned time for an IPO on the Main Board is between 7 and 16 months, and on the ChiNext between 6 months and 11 months.

Chart 3.8. Key challenges for companies accessing the Chinese stock market



Source: own elaboration.

However, China has the so-called IPO Green Channel for companies in specific industries such as the bioscience, cloud computing, artificial intelligence and advanced manufacturing. Companies in these industries can count on a faster processing period for their application (Chen & Zhao, 2023). So far, the fastest IPO application processing by the CSRC could be counted on by Foxconn, which received CSRC approval in slightly more than one month (Xie, 2018; Chen & Zhao, 2023).

Moreover, it is emphasised that a very small proportion of companies successfully pass the CSRC evaluation. As Yang & Zhao (2023, p. 47) point out, in 2016, the pass rate, as measured by the ratio of the number of applications submitted to the number of positive CSRC decisions, was 90.6% in 2017. In 2018 only 60% applications were accepted, and between 2019 and 2022 this result was over 90% each year. It should be added that due to the nature of the

IPO process in China, IPOs are sought by companies that have a reasonable expectation that their application will be successful. Otherwise, the percentage would be much lower.

As for the quantitative examination of this issue, the situation has been exacerbated by the adoption of new legislation in 2023, which has resulted in fewer application requests quantitatively (Yang & Zhao, 2023, p. 47). Moreover, companies themselves are abandoning the listing process. According to Economic Times (2023), in the first half of 2023, 100 companies cancelled their applications. The decrease in the number of applications is also noticeable on stock exchanges abroad. As the latest figures indicate, the CSRC ended 2023 with the approval of 72 applications for listing on the New York and Hong Kong stock exchanges (Bernstein, 2024), a relatively large decrease compared to the number of new listings in previous years only on the HKSE.

In addition, as a response to the very lengthy approval process of companies in the IPO process by the CSRC in China, companies choose to carry out a merger with another company that is listed on the stock exchange. Performing a merger in this form also requires approval on the part of the CRSC, however, as practice shows (e.g., the merge of SF Express and DT Material in 2016), the approval process is much faster and requires fewer administrative steps than an IPO on its own by a company that wants to become a public company (Liu *et al.*, 2019).

Another significant barrier to listing on the Chinese stock market is the high level of IPO underpricing. Empirical evidence suggests that companies going public in China tend to underprice their IPOs far more frequently and to a much greater extent than companies in other markets (Cao *et al.*, 2022; Zhao *et al.*, 2023). This phenomenon has been linked not only to market dynamics but also to the pursuit of political objectives by the companies themselves (Chi, 2023), as underpricing can be used to ensure a successful listing and favourable initial market reception.

A study by Qian *et al.* (2022) illustrates the magnitude of the issue: between 1990 and 2021, the average IPO underpricing in China, calculated as the percentage difference between the IPO offer price and the closing price on the first trading day (i.e. the initial return), reached an astonishing 172%. For comparison, the same measure was 17.5% in the US, 40.5% in Hong Kong, and 24.7% in Singapore. Such a high level of underpricing indicates inefficiencies in the pricing mechanism of Chinese IPOs and highlights the potential for both market biases and significant opportunity costs for issuing companies.

Therefore, this problem is further exacerbated by the regulatory and institutional environment in China, where IPO pricing is influenced not only by market demand but also by approval processes and government oversight, which may incentivize issuers to underprice to

guarantee listing approval and initial trading stability. It is reported in the literature that the Chinese government interferes in setting the IPO price (Allen & Shen, 2013, pp. 168–169; Qian *et al.*, 2022; Zhao *et al.*, 2023). Regulatory authorities in China have imposed restrictions on the offer price, determined by price-earnings (P/E) ratios, setting a maximum value significantly lower than the prices investors were inclined to pay for the majority of IPOs (Cao *et al.*, 2022, p. 106; Qian *et al.*, 2022). This creates a structural challenge for investors and companies alike, as the discrepancy between offer prices and market values introduces volatility and reduces the efficiency of capital allocation.

The reasons for this situation lie, among others, in China's institutional environment. Due to the system in place in China, the IPO process is influenced by the political connections (Li *et al.*, 2021; Xiong & Zhao, 2021; Cao *et al.*, 2022; Qian *et al.*, 2022, p. 8; Chi, 2023). The influence of the Chinese authorities on which companies should go public is called the 'traffic light system' (Chi, 2023). Companies in strategic sectors such as semiconductors, electric vehicles, batteries and other advanced manufacturing receive a 'green light', while companies in industries such as coffee shops or restaurants receive a 'red light' (Lockett & Leng, 2023).

As Xiong & Zhao's (2021) research demonstrates, *guanxi* influences the positive or negative consideration of IPOs in China. The authors of the study show a change in the trend in this regard by indicating that *guanxi* had a positive impact on the IPO approval process prior to 2015. Indeed, the practice of hiring former government officials as financial intermediaries in order to gain access to decision-makers is pervasive. The research also shows the influence of media news on the effectiveness of IPO performance (Li *et al.*, 2021; Xiong & Zhao, 2021).

Furthermore, the process of listing companies on the stock exchange in China is further complicated by a number of additional regulatory restrictions, which have been described above. These include mandatory lock-up periods and restrictions on foreign investor participation, which together narrow the pool of potential market participants. Regulatory restrictions also apply to domestic financial institutions. Chinese commercial banks are prohibited by law from underwriting or investing in securities and from granting loans for securities-related purposes. Similar restrictions apply to insurance companies. They may only acquire equity interests indirectly, through asset management products offered by investment fund institutions (Xu *et al.*, 2024a).

These regulatory constraints contribute to a tightly controlled and sometimes fragmented market environment, which can limit liquidity, reduce investor flexibility and constrain the strategies available to companies seeking to raise capital in the domestic market.

As a result, companies seeking to list in China must navigate a complex regulatory environment, balancing regulatory compliance with market opportunities.

### **3.4. Expansion of Chinese companies into the US and Hong Kong stock exchanges**

#### **3.4.1. The scale of Chinese companies' presence in the US and Hong Kong markets**

The overseas listing of Chinese companies does not have a relatively long history. The first company listed on the NYSE was Brilliance China Automotive Holdings Limited in 1992 (Feng *et al.*, 2024), while the first listing of a Chinese company on NASDAQ was in 1999 (Pan & Brooker, 2014, p. 5). The next debut of Chinese companies made internationally was listing on HKSE in 1993 by company Tsingtao Brewery (Xu, 2001, p. 50). It was the first time when H-shares were issued on the market. Prior to 2000, the majority of foreign-listed Chinese companies were SOEs, while after 2003 there was a noticeable increase in the activity of private companies (Pan & Brooker, 2014, p. 3).

As explained in the previous section of this thesis, there are many constraints associated with the issuance of securities. In order to circumvent them, many Chinese companies choose to issue securities abroad (Xu *et al.*, 2024a). The main overseas expansion destinations for Chinese companies so far have been stock exchanges in the US, Hong Kong, Singapore or London (Pan & Brooker, 2014; Kroeber, 2020, p. 175). Chinese companies go public on foreign markets in the form of dual listings (Fang *et al.*, 2023), cross-listings, or only appear on foreign exchanges and not domestic ones (Li *et al.*, 2019). The largest number of Chinese companies are listed in Hong Kong and the US (Feng *et al.*, 2024).

In order to discuss the current shape of the presence and operation of Chinese companies on US stock exchanges, it is necessary to introduce the history of one of the companies. The Luckin Coffee Inc. is a Chinese coffeehouse chain established in October 2017 and competitor to Starbucks in China. The company has already listed on NASDAQ in May 2019, making it the company with the fastest path from founding to listing (Xi & Huang, 2021). As presented in the annual statement as of 2020, this company used the structure of the VIE broader explained later in this Chapter, to conduct an IPO in the US. In early 2020, Luckin Coffee disclosed that its chief operating officer fabricated sales figures, leading to inflated revenue and misrepresentation of the company's financial performance. The revelation of fraudulent activities resulted in a sharp decline in Luckin Coffee's stock price and triggered investigations by regulatory authorities, including SEC and CSRC (Peng *et al.*, 2022). As a consequence, Luckin Coffee faced delisting from the NASDAQ stock exchange in 2020 and encountered significant legal and financial repercussions, including lawsuits, executive resignations, and

restructuring efforts to regain investor trust and financial stability. The scandal tarnished the reputation of Luckin Coffee and underscored concerns about corporate governance and financial transparency in Chinese companies listed abroad (Xi & Huang, 2021; Peng *et al.*, 2022; Feng, 2024, p. 20).

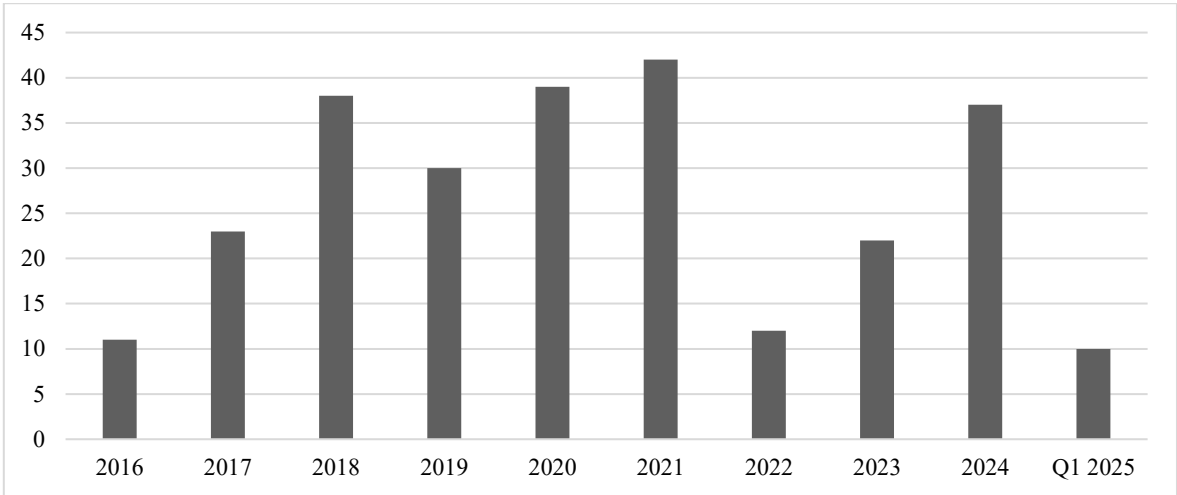
This was followed by legislative steps in the US in the form of the passing of the Holding Foreign Companies Accountable Act (HFCAA) in December 2020. The new legislation made it mandatory for foreign companies listed on US exchanges to operate in compliance with US auditing and transparency standards. If a company fails to comply with audit inspections for three consecutive years, it could face delisting from U.S. stock exchanges (Lee *et al.*, 2023, pp. 40–41). Subsequently, an amendment to the Act reduced this period to two years (Lee *et al.*, 2023, pp. 44–45; Feng *et al.*, 2024, p. 20). With the introduction of the new legislation in this regard, there was concern about the continued presence of Chinese companies on US exchanges. Eventually, the CSRC signed an Audit Regulation Cooperation Agreement with Public Company Accounting Oversight Board (PCAOB) on 26 August 2022 (Feng *et al.*, 2024, p. 22). It seems that Didi's withdrawal from the stock exchange mentioned above was the reason for the adoption of this document (Lee *et al.*, 2023, p. 45).

According to the data provided by the U.S.–China Economic and Security Review Commission, as of 7 March 2025, a total of 286 Chinese firms were listed across the three major US stock exchanges, i.e. NYSE, NASDAQ and NYSE American, with a combined market capitalisation of 1.1 USD trillion. This reflects an increase of 250 USD billion in valuation since the beginning of 2024, when 265 Chinese companies were listed on these exchanges with a total market value of 848 USD billion. Based on the latest available data, nearly 25 % of new companies listed in the US in 2023, originated in China (Bernstein, 2024).

The overview on the new listing of Chinese companies on the stock exchanges in the US are presented in Chart 3.9.

The chart shows a clearly cyclical but generally upward trend in the presence of Chinese companies on US stock exchanges until 2021. A strong increase is observed in 2016–2018, with the number of Chinese issuers almost doubling, reflecting the intensification of international capital expansion strategies and the high attractiveness of the US market as a place to raise capital. After a temporary slowdown in 2019, further growth was observed in 2020–2021, when the number of Chinese companies will reach a local maximum, corresponding to the global boom in the IPO market and high valuations of growth companies.

Chart 3.9. New listings of Chinese companies on the US stock markets in 2016–Q1 2025



Source: own elaboration based on U.S.–China Economic and Security Review Commission (2025). *Chinese Companies Listed on Major U.S. Stock Exchanges*. [https://www.uscc.gov/sites/default/files/2025-03/Chinese\\_Companies\\_Listed\\_on\\_US\\_Stock\\_Exchanges\\_03\\_2025.pdf](https://www.uscc.gov/sites/default/files/2025-03/Chinese_Companies_Listed_on_US_Stock_Exchanges_03_2025.pdf) (access as of 01.12.2025).

In 2021 a significant decline is observed in Chinese IPOs in the US. This decline was related to legislative changes and the introduction of additional audit-related obligations for companies. This was also influenced by regulations such as the HFCAA, the Equitable Act and antitrust guidelines for the digital economy, which made it significantly more difficult for Chinese companies to operate in the US market (more on this in the next section). According to USCC data (2025), comparing 2021 and 2025, all SOEs disappeared from US stock exchanges during this period, and the market capitalisation of all companies listed on these exchanges halved.

Next, the analysis moves on to the Hong Kong stock market. It is worth noting that Hong Kong has long been viewed by the Chinese authorities as a preferred location for stock listings. This is due to a number of factors, but primarily because of its geographical proximity and deep cultural and economic ties with Mainland China (Han *et al.*, 2022), as well as its potential for political influence (Pan & Brooker, 2014, p. 6; Pavlidis & Vasilopoulos, 2020). Hong Kong is also valued by the Chinese government due to its links with international financial centres around the world and the alignment of its legislative framework with those of the most developed stock markets (Pavlidis & Vasilopoulos, 2020; Fang *et al.*, 2023).

The links between Hong Kong and Chinese companies are still evident. As provided by the U.S.–China Economic and Security Review Commission, as of 7 March 2025, there were 33 companies listed on US exchanges based in both Hong Kong and China. Moreover,

according to research (Fang *et al.*, 2023), more than 50% of all listings of Chinese companies on US exchanges between 1994 and 2020 were conducted by Hong Kong companies.

As noted in section 3.1.1 of this thesis, Hong Kong is treated as a distinct jurisdiction separate from Mainland China. In practice, this institutional and regulatory separation makes Hong Kong an attractive venue for Chinese companies seeking access to international capital. Consequently, many Chinese companies pursue dual listings, i.e. they are listed on exchanges in China and on HKEX (Pavlidis & Vasilopoulos, 2020; Han *et al.* 2022). In addition, cooperation between these exchanges has been steadily expanding, exemplified by the signing of a Memorandum of Understanding (MoU) between the Hong Kong and Beijing stock exchanges on 29 June 2023 (Boghani & Khan, 2022). Based on this agreement, companies may be listed on one exchange after meeting the listing conditions (Feng *et al.*, 2024, pp. 17–18). Trading of shares is also facilitated between the two markets with the launch of the Hong Kong Dollar (HKD) and RMB dual counter model in 19 June 2023 (Feng *et al.*, 2024, p. 18).

Table 3.5 illustrates the scale of Chinese companies’ participation across the two HKEX platforms, i.e. the Main Board which is the main market, and the Growth Enterprise Market (GEM), operating as its alternative segment of HKEX.

Table 3.5. Chinese companies listed on the HKEX Main Board and GEM in 2012–2024

Year	Total number of listed companies	Number of new listings	Market capitalization (in HKD bn)
2012	1,547	45	12,597.78
2013	1,643	78	13,690.57
2014	1,752	84	15,077.62
2015	1,866	75	15,319.82
2016	1,973	57	15,663.89
2017	2,118	55	22,522.06
2018	2,315	101	20,193.12
2019	2,449	114	27,953.44
2020	2,538	112	38,073.00
2021	2,572	87	33,433.76
2022	2,597	90	35,666.80
2023	2,609	73	31,039.10
2024	2,631	62	28,180.57

Source: HKEX. (2025). *Annual Market Statistics*. [https://www.hkex.com.hk/Market-Data/Statistics/Consolidated-Reports/Annual-Market-Statistics?sc\\_lang=en](https://www.hkex.com.hk/Market-Data/Statistics/Consolidated-Reports/Annual-Market-Statistics?sc_lang=en) (access as of 02.12.2025).

The table shows that the scale of Chinese companies' presence on the HKEX has been steadily increasing during the reviewed period, both in terms of the number of issuers and total

market capitalisation. The total number of listed companies increased from approximately 720 in 2012 to over 1300 in 2019–2021. It illustrates that Hong Kong has consistently strengthened its position as a key trading venue for Chinese companies. Moreover, the frequency of new listings remained relatively high, exceeding 100 IPOs per year in peak years (2018–2020), confirming the attractiveness of this market for new issuers.

The increase in the number of companies was supported by very strong growth in capitalisation, which rose from approximately HKD 12.6 trillion in 2012 to over HKD 27–38 trillion in 2019–2022. However, in recent years, there has been a noticeable slowdown due to a decline in the number of new listings after 2021 and a reduction in capitalisation to approximately HKD 28–31 trillion in 2023–2024. Overall, the data confirms that the HKEX serves as the most important foreign listing centre for Chinese companies, integrating China's capital market with the global financial system.

Presenting the scale of Chinese companies' presence on the US and Hong Kong stock exchanges, it is also worth mentioning one of the most important structures used by Chinese companies to facilitate their entry onto foreign stock exchanges. This applies mainly to private companies operating in one of the sectors recognised by the Chinese authorities as restricted sectors. As mentioned above, China has adopted a Catalogue that lists sectors that are considered by the Chinese authorities to be strategically important due to their significance for the state itself. Obtaining CSRC approval for such companies to conduct an IPO abroad is particularly difficult, if not impossible (Schindelheim; 2012; Lee *et al.*, 2023, p. 53).

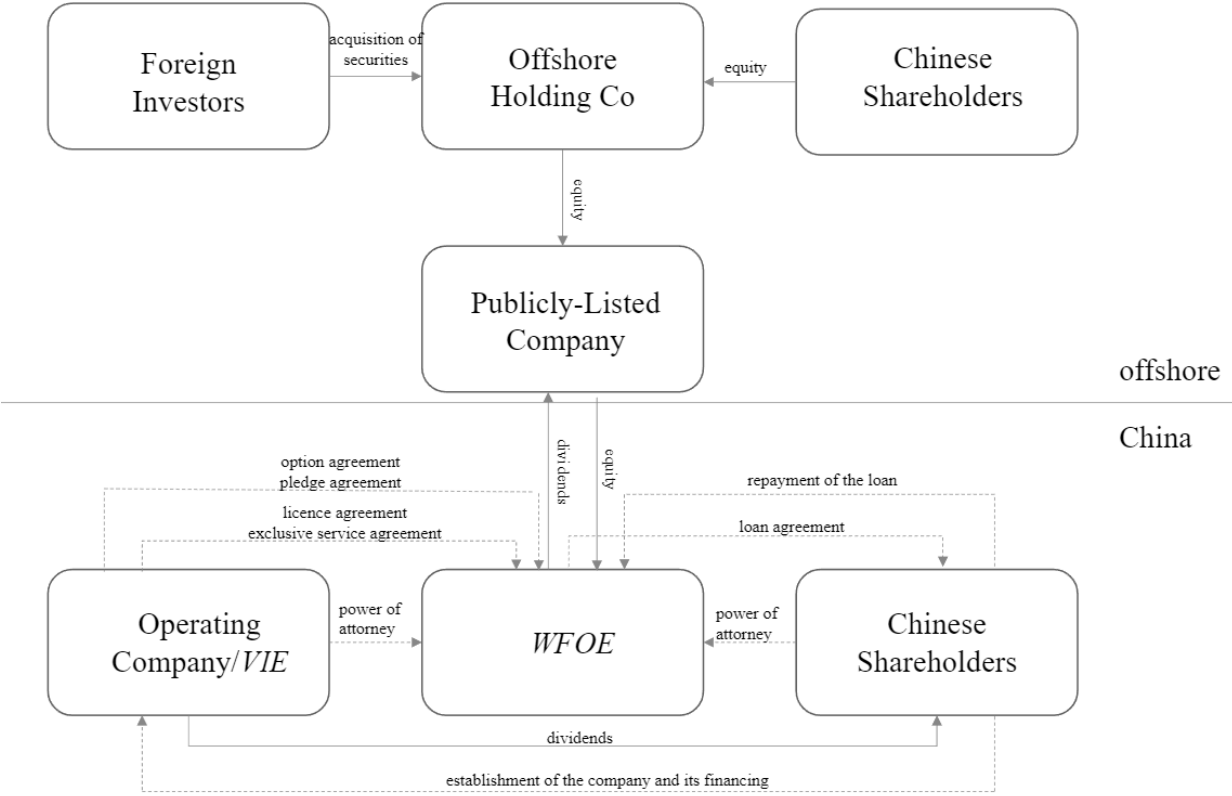
Due to these limitations, a Variable Interest Entity (VIE) structure was constructed (Shi, 2014, pp. 1274–1277; Chen, 2022). The VIE is a structure of a legal and organizational nature created and functioning on the basis of a series of legally binding legal agreements between its constituent individual entities, under which an link between an offshore foreign company and an operating company in China for the purpose of enable access to foreign capital (Schindelheim, 2012; Zhao, 2022; Lee *et al.*, 2023, p. 53). The entities forming this structure are presented in Chart 3.10.

The key component of the VIE structure is the offshore entity, most commonly incorporated in the Cayman Islands (Shi, 2014, p. 1277; Lee *et al.*, 2023, p. 53), or in the alternative jurisdictions such as the British Virgin Islands and Hong Kong (Fang *et al.*, 2023). Historically, there are several prominent Chinese companies that used the VIE structure. Among the most cited examples are Alibaba (Fried & Kamar, 2020; Zhao, 2022) and Gigamedia (Schindelheim, 2012). These companies made unsuccessful attempts to secure formal authorisation for foreign listing before applying this structure (Schindelheim, 2012; Fried

& Kamar, 2020; Zhao, 2022). Their experiences illustrate the regulatory constraints that motivated the widespread adoption of offshore structures as a pragmatic, albeit legally ambiguous, mechanism for accessing international capital markets.

The use of the VIE structure is seen by Chinese authorities as a controversial, however it is not explicitly forbidden by them. The VIE structure could have been referred to as a tacit compromise between maintaining control by the Chinese authorities over sectors of the economy that are strategic from their point of view, and the development of private enterprises (Schindelheim, 2012; Shen, 2012).

Chart 3.10. The VIE structure in China



Source: Cieřlik, S. (2021). *Variable Interest Entity Structure as a Form of Investment Undertaken by Chinese Companies on Foreign Stock Exchanges*. *Journal of Finance and Financial Law*, 3(31), p. 10.

However, this situation changed on 24 December 2021, when the CRSC published a draft law amending the legal rules regarding the ability of Chinese companies to issue securities overseas using a VIE structure to do so (Murdoch & Wu, 2021). Compared to the previous state of the law, the draft tightened the requirements related to the possibility of overseas listing by Chinese companies. These companies are required to submit a prospectus to

the CRSC within 3 days of the date of filing an application for offshore incorporation (Art. 16 in conjunction with Art. 17 of Law of overseas listing). According to the Art. 19 of Law of overseas listing, the CRSC in turn has 20 working days to decide whether the company can continue to operate.

There are a number of risks associated with the use of the VIE structure by Chinese companies, as well as doubts about the legality of its use. Nevertheless, the scale of the presence of Chinese companies using the VIE structure for these purposes on exchanges abroad is significant. According to data of the U.S.–China Economic and Security Review Commission (2025), as of 7 March 2025, 32 out of 286 Chinese companies used the VIE structure to list on the three largest US exchanges. This does not cover a full scale of use of this structure, as the list presented by the U.S.–China Economic and Security Review Commission does not include delisted companies. Comparing this scale as of 9 January 2023, 161 of the 252 Chinese companies used the VIE structure to be listed on the major US stock markets. In 2023, these companies accounted for 89% of the total capitalisation of Chinese companies listed on these exchanges.

The most recent high-profile case of a Chinese company using a VIE structure to list on a stock exchange in the US was Didi, a passenger transportation company adopting an similar business model to widely-recognised company Uber (Chen, 2022; Bu, 2025). After listing on NASDAQ in 2021, the company was delisted in 2022 (Reuters, 2023; Bu, 2025). The delisting of this company was related to the initiation of the investigation by the Chinese authorities whether the company's compliance with disclosure obligations set by the SEC resulted in disclosures that could harm China's cybersecurity (Chen, 2022; Lee *et al.*, 2023, pp. 45–46). It appears that the handling of this company by Chinese authorities may have paved the way for the introduction of more stringent rules governing the issuance of securities abroad (Reuters, 2023; Bu, 2025). This example also shows the way in which Chinese authorities control the foreign listings of Chinese companies.

### **3.4.2. Determinants of Chinese companies' expansion on the US and Hong Kong stock exchanges**

The expansion of Chinese companies onto the US and Hong Kong stock exchanges is influenced by several key determinants. Historically, the US has been the preferred destination for larger Chinese companies seeking access to deep capital markets, high liquidity and recognition from global investors (Shi, 2014; Fang *et al.*, 2023; Lee *et al.*, 2023). The availability of venture capital and the importance of the American technology and internet

sector further encouraged listings on exchanges such as NASDAQ and the NYSE (Lee *et al.*, 2023). However, US regulatory requirements, including stringent disclosure standards as well as increased scrutiny which was a significant barriers that influence companies' decisions to conduct IPOs abroad (Fried & Kamar, 2020; Zhao, 2022).

In contrast, Hong Kong has traditionally served Chinese companies as a more accessible venue for foreign listings. Its geographical proximity, shared language and cultural ties, and common law-based legal framework make it particularly attractive to companies from Mainland China (Allen & Shen, 2013; Han *et al.*, 2022). Thus, this market is more accessible to Chinese companies. Combined with more favourable regulatory policies toward Chinese issuers, Hong Kong has become a preferred platform for companies seeking dual listings (Xu *et al.*, 2024a).

Determinants of Chinese companies’ decision to list on the US and Hong Kong stock exchanges may be analysed from two distinct perspectives. The first perspective considers the potential benefits that Chinese companies may derive from listing, taking into account the specific characteristics of the respective stock exchanges. The second perspective relates to the domestic environment, focusing on the internal constraints and regulatory limitations within China that drive companies to seek opportunities for conducting IPOs abroad.

Previous sections of this thesis have presented the scale of the Chinese stock market, the political and legal conditions shaping its development, and the main constraints affecting the IPO of Chinese companies. All these factors influence the decision-making process of Chinese companies regarding foreign IPOs. Table 3.6 summarises the key factors discussed above, highlighting their importance for the analysis of factors determining Chinese companies' decisions to conduct IPOs abroad.

Table 3.6. Factors influencing Chinese companies’ decisions to list on US and Hong Kong stock exchanges

<b>Barriers at the domestic stock market</b>	<b>Opportunities offered by stock markets abroad</b>
Strong state influence over the economy	High liquidity and investor base diversification
Restrictive regulations and institutional constraints	International recognition and brand enhancement
Favouritism toward SOEs	Attraction of foreign institutional investors
Unpredictable IPO approval process	More predictable and transparent listing procedures
Possibility of CSRC suspending approved IPOs	Enhanced corporate governance requirements, improving credibility
Inefficient domestic banking and financing system	Strategic global expansion and market reach
Limited opportunities for private companies	Dual listing possibilities on HKEX
Underdeveloped legal protections for shareholders	Access to advanced financial instruments and capital-raising mechanisms

Source: own elaboration.

Determinants of Chinese companies' decision to list on stock exchanges abroad may be related to the domestic situation in the country. These challenges are mainly related to excessive political pressure, significant state influence on the economy, restrictive regulations and the institutional environment. Public companies are favoured in the listing process which puts private companies in a more difficult position (Li *et al.*, 2019). These limitations have compelled certain Chinese enterprises to go public overseas or dual-list on multiple exchanges. This strategy aims to attract international funds, improve corporate governance and global reputation, and broaden their reach in global markets (Zhang *et al.*, 2022b, p. 76). Other considerations driving Chinese companies to seek overseas listings involve gaining competitive cost advantages and mitigating the constraints of an inefficient domestic financial system (Kroeber, 2020, p. 162; Petry, 2021, p. 608; Qian *et al.*, 2022; Chi, 2023).

The presence of Chinese companies on foreign exchanges can also be linked to greater assurance about the approval process by the competent authority (Chen & Zhao, 2023, p. 5). In addition to the uncertainty surrounding the timing of the application review and the outcome of the proceedings, there is also the possibility that the supervisory authority may suspend the company's share issue. Despite the company's approval of the prospectus, the share issue may be suspended by the CSRC for general reasons, such as market stability (Pan & Brooker, 2014; Packer & Spiegel, 2023).

Given the relatively lengthy and uncertain approval process in China, Chinese companies frequently pursue listings abroad, where the timeline for completing an IPO is typically shorter and more predictable. As indicated in Chapter 3.2, the time it takes for the CSRC to issue a decision on an entity depends on a number of political factors, and it is difficult to estimate a predictable date when a given application will be accepted (Pan & Brooker, 2014; Packer & Spiegel, 2023). In contrast, in the Hong Kong or U.S. stock markets, the deadlines are known and take much less time. The approval process for companies on these exchanges takes from 6 months to 1 year (Feng *et al.*, 2024).

Furthermore, Chinese companies wish to list on exchanges with better visibility in order to gain international recognition. Listing on prestigious exchanges like the NYSE or NASDAQ in the US, or the HKSE, can significantly enhance a company's reputation and visibility on the global stage (Pan & Brooker, 2014; Zhang *et al.*, 2022b; Fang *et al.*, 2023). It is also important to highlight the microeconomic factors considered by a company prior to deciding to list on a foreign stock exchange. As Han *et al.* (2022, p. 4) points out '*firms prefer to list in Hong Kong or New York if their IPO offering size and associated IPO costs are large, as fund raising is easier and good after-IPO performance can be achieved in these deep and liquid markets*'.

Following an analysis of the domestic constraints that influence Chinese companies' decisions to go public, it is worth considering the benefits that foreign stock markets can offer Chinese companies. In discussing these determinants, factors of a political nature should be taken into account. Listing requirements in Hong Kong and the US can also affect the scale of Chinese companies' presence on the international stage (Liu & Dixon, 2021). The idea is to demonstrate the position and strength of the Chinese economy in the world. As an example, historically the Chinese largest IPOs were conducted on the main world's stock exchanges. It is also an effective implementation of internal policies related to the reform of SOEs, which will strengthen corporate governance through foreign listings (Pan & Brooker, 2014). However, in the face of the introduction of new legislation, this policy is being carried out in an ambiguous manner. Mainly, SOEs are favoured in this regard (Li *et al.*, 2019). This concern may be related to the need to disclose more information as part of public companies' reporting obligations in the Western standard (Chen, 2022; Lee *et al.*, 2023, pp. 45–46).

Chinese companies often choose to list on the stock exchanges in Hong Kong and the United States in order to gain access to international investors and broader capital markets (Piotroski & Wong, 2013, pp. 236–237; He & Wei, 2023). From the perspective of China, such listings are particularly significant given the structural limitations of the domestic economic and political system. In comparison to China, the regulatory frameworks in Hong Kong and the US offer a more transparent, predictable, and robust environment for companies seeking to raise capital. This relative stability and regulatory rigor make these foreign markets particularly attractive to firms that aim to enhance their corporate governance, strengthen investor confidence, and achieve greater visibility on the international stage. Consequently, the choice to pursue overseas listings reflects both strategic considerations and a response to the constraints imposed by domestic market conditions (Kim *et al.*, 2021).

In this regard, the role of high-tech companies should be highlighted, as they also often raise funds through the issuance of depositary receipts. Chinese companies conducting foreign IPOs in the high-tech sector most often enter the US and HK markets, even at the expense of their domestic market, as evidenced by the example of companies referred to as BAT – Baidu, Alibaba, and Tencent (Qian *et al.*, 2022). Zhang and King (2010), analysing the US stock market, noted that high-tech companies are overrepresented among foreign issuers not because they are looking for specialist knowledge, but because they are already innovative and seek to gain foreign expertise and greater visibility in advanced technology sectors. With regard to Chinese companies authors point out that *'firms with better profitability and a larger firm size are more likely to list an ADR, supporting the hypothesis that more stringent listing*

*requirements and closer monitoring by regulatory agencies motivate top performers with a larger size to list abroad*'. However, geopolitical tensions and trade issues between China and the US can influence the scale of presence. For instance, recent scrutiny and regulatory pressures from the US government have led some Chinese companies to consider delisting from US stock exchanges (Lee *et al.*, 2023, pp. 44–45; Feng *et al.*, 2024, p. 20).

The above arguments demonstrate the complexity of issues surrounding foreign IPOs by Chinese companies. The interplay of these factors suggests that the choice between listing in the US and Hong Kong is not solely a matter of financial optimisation, but reflects complex calculations regarding regulatory compliance, market access, corporate structure and long-term strategic objectives. As a result, Chinese companies are increasingly adopting hybrid strategies, often pursuing dual listings to leverage the advantages of both markets while mitigating the associated risks (Cao *et al.*, 2022; Zhao *et al.*, 2023).

### **3.5. Summary**

China's economic and political situation reflects a complex interplay between state intervention, rapid development, social control, and geopolitical ambitions, shaping its domestic and global trajectory. The Chinese government plays a significant role in the economy through SOEs, industrial policies, and strategic planning. While the economy has embraced elements of market capitalism, the state retains considerable control, particularly in strategic sectors. China is an economy in which politics of the state institutions play a key role determining the structure and functioning of the economy.

China's stock market was established at the end of the 20th century. The changes that have been made in China's stock market can be assessed as remarkable considering the very short time in which the market has been developing in China. The importance of China's stock market, as well as their connection to foreign markets, has been increasing in recent times (Kroeber, 2020, p. 174; Chen & Sun, 2022). Indications are that the world's attention should be drawn to China's stock market because of its size and high volatility (Carpenter & Whitelaw, 2017, p. 1; Pan & Mishra, 2018, p. 664).

Recently, there have been noticeable steps taken by the Chinese government in the development of the securities market. These include changes to the approval system for IPOs of companies. However, the recent reforms introduced in China aimed at liberalization and release from administrative control is read as a pretence. There was a meaningful comparison made by Chi (2023), pointing out that if we call China's IPO mechanism a kite, the state should be the person who holds the string.

The constraints on China's stock market development are pointed out in the literature. First, these include government intervention and strict controls on capital flows. These actions, which are designed to implement China's policy priorities, deform the functioning of the market and have negative impact on the performance of these markets' basic functions (Xu *et al.*, 2024a). Secondly, these include the existence of a highly restrictive regulatory environment that prevents companies and investors from making market-based decisions. Thirdly, one should also point out the separation of the Chinese stock market from other foreign markets.

Recently, there has also been a noticeable expansion of Chinese companies into stock exchanges abroad. Chinese companies are present mainly in the US and Hong Kong. The presence of Chinese companies is also outlined in Europe, although companies listed on European exchanges are not as numerous as in the above mentioned destinations. However, it can be suspected that Europe will be an alternative to the US market due to the recent US–China tension (Thiele, 2023).

The factors determining the expansion of Chinese companies onto foreign stock exchanges can be divided into two broad groups, corresponding to domestic barriers and external opportunities. Internal factors are primarily related to the domestic environment, which often motivates companies to consider entering foreign stock exchanges. These factors mainly affect private companies (Pan & Brooker, 2014). As described in section 2.2, domestic listing conditions and procedures are characterised by significant political influence, favouritism towards SOEs, and uncertainty about the outcome of the IPO approval process, even if all legal requirements are met. These factors may discourage companies from conducting domestic IPOs and, in some cases, encourage them to seek foreign listing opportunities. However, it should be noted that foreign listings are not widely available. Companies engaged in activities classified as ‘prohibited’ or ‘restricted’ under the regulatory catalogue do not have complete freedom to decide to list on a foreign stock exchange.

External factors reflect the benefits of access to foreign capital markets. These benefits relate to the objectives of specific companies, including raising capital, improving corporate governance, increasing international visibility, and gaining access to valuable information and strategic resources. Moreover, they relate to broader issues such as China's foreign policy stance and the potential benefits to the country of increased corporate presence abroad. These factors illustrate how a combination of domestic constraints and international opportunities shapes the strategic decisions of Chinese companies regarding overseas listings.

However, these opportunities coexist with new challenges. The examples of companies such as Didi or Luckin Coffee have increased scrutiny of Chinese issuers and caused

reputational tensions in international markets. Concerns about non-transparent ownership structures, delisting risks and the sustainability of companies' compliance practices may have a negative influence on the investor sentiment. As a result, companies seeking overseas listings must navigate not only domestic institutional constraints but also heightened expectations from foreign regulators and market participants.

## CHAPTER 4

### The current shape of the European stock market and characteristics of the selected stock exchanges

#### 4.1. Institutional structure of the European securities market

##### 4.1.1. The evolution of the European stock market

There are two general ways to conceptualise equity trading in Europe: as a single, integrated market or as a group of individual European stock markets. The European stock market refers to an aggregate concept describing an integrated, though still non-uniform, venue for trading equity and debt instruments in the EU as a functionally linked system, shaped by common regulations and harmonisation processes. In contrast, the term European stock markets refers to individual national or local segments of this system, i.e. specific stock exchanges, which differ in terms of their level of development, the structure of listed issuers, liquidity, range of instruments, legal conditions and degree of internationalisation of trading. Therefore, in singular, the emphasis is on the supranational, integrated dimension of the market, while in plural, it is on its institutional and regulatory fragmentation and the heterogeneity of individual trading platforms in Europe.

The evolution of European stock market can be traced back to the establishment of the European Economic Community (ECC) in 1957, and since then it has gone through several stages of development. A key milestone in the development of the European stock market was the signing of the Treaty of Rome, or Treaty Establishing the European Economic Community, in 1957. This event fostered greater cooperation and harmonization among Member States (Teixeira, 2020, pp. 13–16; Ewers, 2021), as well as at that time a common market was being created assuming freedom of movement of people, goods, services of capital (Hutukka, 2021, pp. 439–441). Thus, given the principle of free movement of capital, undoubtedly the foundation for the creation of the European stock market as it is today was laid by the creation of the ECC and, subsequently, the EU. With its establishment and the successive addition of individual Member States, barriers to the movement of capital disappeared increasingly. In the wake of deepening integration among Member States, the decision was also made to create a common currency, the euro, which brought the vision of a fully integrated stock market in Europe even closer (Bekaert *et al.*, 2019, pp. 69–70).

The formal legal foundation for the emergence of a European stock market can be found in Article 67 of the Treaty of Rome. This provision introduced the principle of the free movement of capital. In particular, it called for the abolition of restrictions on capital movements belonging to persons residing in the Member States, as well as of any discrimination based on the nationality or residence of the parties or the place where the capital is invested. This principle was subsequently reiterated in the Maastricht Treaty, signed on 7<sup>th</sup> of February 1992, by the 12 foreign ministers and finance ministers of the Member States. This treaty is also known as the Treaty on European Union (TUE). On this basis, European economic integration was further expanded (Podkaminer, 2019, p. 370). A provision on capital movements is also found in the current Treaty on the Functioning of the European Union (TFEU). According to Article 63 of the TFEU *'all restrictions on the movement of capital between Member States and between Member States and third countries shall be prohibited'*.

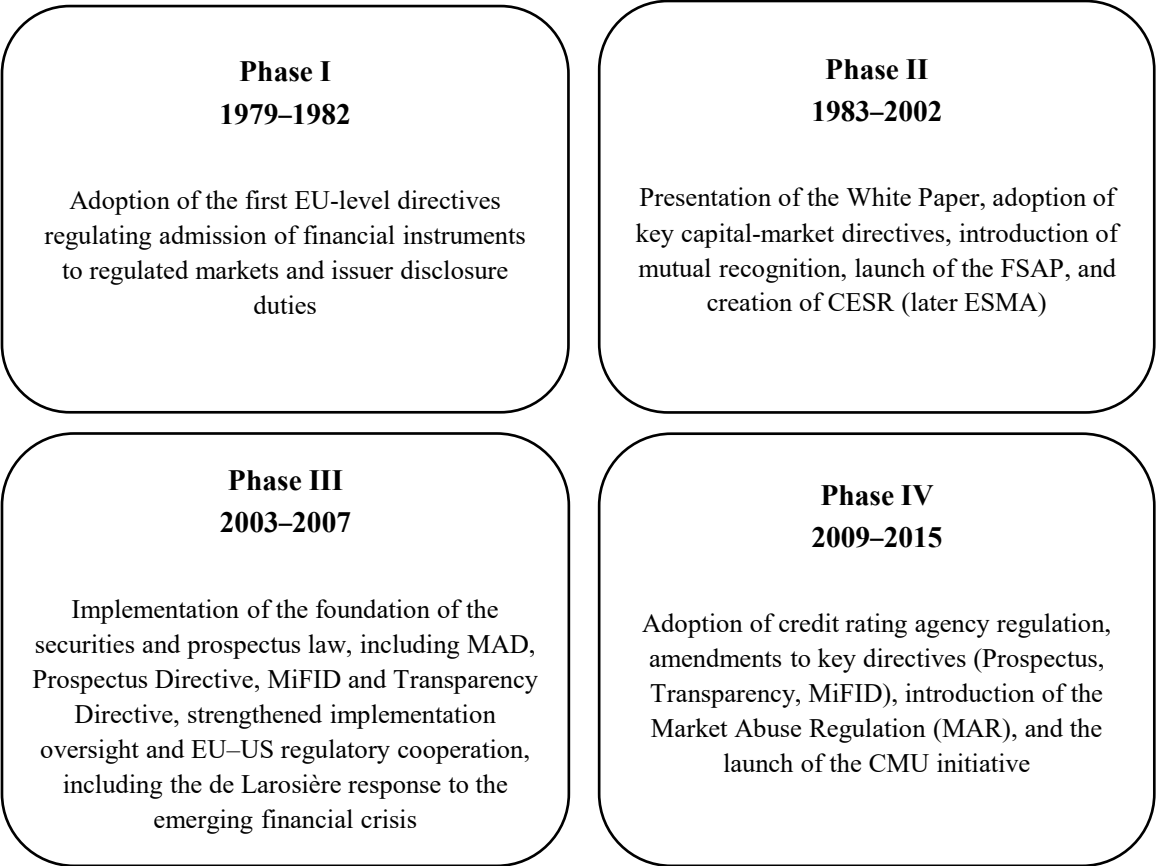
The publication in 1966 of the report of a group of experts appointed by the European Commission (EC) titled 'The Development of European Capital Market' (Segre, 1966), was also crucial to the building of the European securities market. This report pointed out areas for improvement and the directions that should be taken to strengthen European integration in the capital market area (Teixeira, 2020 pp. 17–18; Moloney, 2023, pp. 7–8). Claudio Segre, an expert at the head of this group, indicated that economic growth depends on the capital market, the capital market can be strengthened through European integration (Veil, 2022, p. 4). Subsequently, the next event that also laid the foundation for the European stock market was the issuance of the EC's Recommendation of 25<sup>th</sup> of July 1977 no. 77/534/EEC concerning a European code of conduct relating to transactions in transferable securities. This recommendation demonstrated the need to harmonize the development of the capital market in accordance with the objectives of the Treaty establishing the EEC.

The historical development of the European capital market can be presented by referring to the formal documents, decisions or regulations that were adopted at the time. These documents provided the basis for this formation of the European securities market. The European securities market can be described by following the division into four phases of its development proposed by Veil (2022, pp. 5–22) as presented in Chart 4.1.

The first phase covers the period 1979–1982. During these years, EC adopted a package of directives on the admission of financial instruments to trading on a regulated market and the disclosure obligations imposed on issuers (Moloney, 2023, p. 8). This event was crucial, as these directives were the first legal acts adopted at the European level to regulate the area of the stock market structuring and harmonising the functioning of stock markets across Member

States of the EU. These include, in particular the Admission Directive<sup>2</sup>, the Listing Particulars Directive<sup>3</sup>, the Interim Reports Directive<sup>4</sup> These legal acts laid the initial foundations for a common regulatory framework, marking the beginning of the gradual integration of European capital markets. (Veil, 2022, p. 5).

Chart 4.1. The evolution of the European capital market



Source: own elaboration based on Veil R. (2022). *European Capital Markets Law*, third ed., Hart Publishing, Oxford, UK, pp. 5–24.

The second phase of the development of the European capital market was from 1983 to 2002. This period was characterized by a number of key events for the development of the stock market. One of these was the EC's 1985 White Paper on the completion of the internal market. It is a policy roadmap outlining its vision and proposals for advancing the integration of the

<sup>2</sup> Council Directive 79/279/EEC of 5 March 1979 coordinating the conditions for the admission of securities to official stock exchange listing.

<sup>3</sup> Council Directive 80/390/EEC of 17 March 1980 coordinating the requirements for the drawing up, scrutiny and distribution of the listing particulars to be published for the admission of securities to official stock exchange listing.

<sup>4</sup> Council Directive 82/121/EEC of 15 February 1982 on information to be published on a regular basis by companies the shares of which have been admitted to official stock-exchange listing.

EU's internal market. The White Paper set out specific objectives and measures to address barriers, promote economic growth, and enhance competitiveness within the internal market. During this period, a number of new EU directives were adopted in areas such as the prospectus, information obligations related to the acquisition and disposal of major shareholdings, prevention of insider trading, investment services, mutual institutions, and the investor compensation system. As part of the adoption of this package of legislation, earlier directives were amended by introducing a mechanism for mutual recognition of capital market legal institutions by Member States. At the end of the 1990s, directives harmonizing capital market law institutions were implemented into the legal systems of Member States.

The legislation adopted at the time was subjected to an evaluation, which detected a lot of imperfections in the system. As a result, the EC decided to present the Financial Services Action Plan (FSAP)<sup>5</sup>, i.e. a comprehensive program to further the integration and development of the EU's financial services sector. The FSAP comprised a series of legislative projects designed to remove barriers and promote competition within the EU financial market (de Hann *et al.*, 2020, p. 97; Moloney, 2023, pp. 12–13). This period also saw the establishment in 2001 of the Committee of European Securities Regulators (CESR)<sup>6</sup>, an independent advisory body to the EC on the implementation of capital market regulations (Walla, 2022, pp. 54–55). As of 1<sup>st</sup> of January 2011, this body was subsequently transformed into the European Securities and Markets Authority (ESMA).

The third phase of the European stock market development was from 2003 to 2007. This period was revolutionary in terms of the reorganization of the existing securities law and prospectus law. The directives adopted at that time form the basis of the currently formed securities law in the Member States. These included the Market Abuse Directive (MAD)<sup>7</sup>, which addressed market misconduct. The Prospectus Directive<sup>8</sup>, the MiFID<sup>9</sup> and Transparency

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<sup>5</sup> Commission Communication of 11 May 1999 entitled "Implementing the framework for financial markets: action plan": <https://eur-lex.europa.eu/EN/legal-content/summary/financial-services-action-plan-fsap.html> (access as of 01.06.2023).

<sup>6</sup> For further information see: 2001/528/EC: Commission Decision of 6 June 2001 establishing the European Securities Committee, Official Journal L 191, 13/07/2001 P. 0045 – 0046, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32001D0528> (access as on 01.06.2023).

<sup>7</sup> Directive 2003/6/EC of the European Parliament and of the Council of 28 May 2001 on the admission of securities to official stock exchange listing and on information to be published on those securities (OJ L184, 6 July 2001, pp. 1–66).

<sup>8</sup> Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when a securities are offered to the public or admitted to trading and amending Directive 2001/34/EC (OJ L345, 31 December 2003, pp. 64–89).

<sup>9</sup> Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC (OJ L145, 30 April 2004, pp. 1–44).

Directive<sup>10</sup> also significantly enhanced investor protection, harmonized disclosure requirements across member states, and facilitated the integration of EU capital markets. At that time, the Green Paper on Financial Services Policy 2005–2010<sup>11</sup> was issued by the EU. The EU's activities at that time were focused on supervision of the proper implementation of EU regulations into the national orders of Member States, as well as the timeliness of their implementation. This was also the time when CESR increased cooperation with the Securities and Exchanges Commission to converge European and US financial reporting standards (Moloney, 2023, p. 15). The period closes with the EU's efforts to counter the effects of the global financial crisis that occurred in 2008. The result of the analyses carried out at that time was the de Larosière report<sup>12</sup>.

The fourth phase of the development of European capital market law is the period from 2009 to 2015. During this period, regulations on credit rating agencies were adopted<sup>13</sup>, which introduced rules for the supervision of these entities by the EU institutions. There were also amendments to the key directives for the stock market – the Prospectus Directive, the Transparency Directive and the MiFID. In 2013 the new regulation has been adopted, i.e. the Market Abuse Regulation (MAR)<sup>14</sup> (Walla, 2022, pp. 57–58). The period ends with the presentation of assumptions for the creation of the Capital Market Union (CMU), more broadly described later in this Chapter.

Considering the recent decisions that have been made at the EU level regarding the securities market, it is also possible to identify a subsequent phase, commencing in 2016 and continues to the present. Undoubtedly, the event that should be highlighted in this phase is the adoption of the MiFID II in 2018. This directive aimed to strengthen investor protection by imposing stricter rules on investment firms. The MiFID II introduced requirements for transparency, disclosure, and product governance to ensure investors receive appropriate and clear information about the products and services they are offered. By increasing investor

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<sup>10</sup> Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC (OJ L390, 31 December 2004, pp. 38–57).

<sup>11</sup> For further information see: Green Paper on an EU approach to managing economic migration: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A52004DC0811> (access as on 01.06.2023).

<sup>12</sup> It refers to the document: The high-level group on financial supervision in the EU. Report, Brussels, 25 February 2009 <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52009DC0252> (access as of 04.06.2023).

<sup>13</sup> Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (OJ L 302 17.11.2009, p. 1).

<sup>14</sup> Currently Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC (OJ L 173, 12.6.2014, pp. 1–61) is in force.

protection and market transparency, the MiFID II seeks to enhance investor confidence and maintain market integrity. Currently, EC efforts are focused on the establishment of a CMU (Moloney, 2023, pp. 780–784).

To conclude, since the half of the 20th century the gradual development of European economic integration has taken place. The establishment of the EEC in 1957 and the subsequent formation of the EU in 1993 fostered closer economic ties between European countries. This integration process influenced the development of stock exchanges and led to increased cross-border trading and harmonization of regulations.

#### **4.1.2. Structural transformations of European stock exchanges**

As indicated in Chapter 1.1.2 of this thesis, stock exchanges can operate as private companies or as entities in which the state is the majority shareholder. The stock exchanges for a very long time were identified with a country. It was considered that every economically developed country should have a national stock exchange. However, this has changed over time, and exchanges have ceased their role as an entity that is a national venue for securities trading, and have begun to take the form of large international companies that offer international services and infrastructure (Petry, 2020a, pp. 254–255; Petry, 2021). Based on the OECD data, Poland is the only European country in which the national stock exchange remains under state control. In contrast, the vast majority of European stock exchanges operate as privately owned joint-stock companies and, in most cases, are self-listed. Exceptions include the exchanges in Austria, the Czech Republic, Norway, Luxembourg, Slovakia, Slovenia and Switzerland, which do not list their own shares (OECD, 2021, pp. 30–31).

Over time, this shift in ownership structures also altered the competitive landscape of European trading venues. As exchanges moved away from state control or traditional membership-based models, they increasingly began to compete with one another for issuers, investors and technological advantage. In this context, the process of demutualization, i.e. the separation of ownership and membership of an exchange, began in Europe with the Stockholm Stock Exchange in 1993. In this process, external entities that are not members of the exchange become owners of the exchange (Petry, 2020a, p. 255). The literature emphasizes that this form of operation of stock exchanges affects their financial efficiency (Jain *et al.*, 2022). The start of this process was key to changing the perception of stock exchanges from a state-created entity to a running business (Mäntysaari, 2021, p. 285; Adamska *et al.*, 2022, pp. 6–7).

A stock exchanges have also begun to consolidate. The consolidation of stock exchanges in Europe is a complex and dynamic process, subject to regulatory approvals, market

conditions, and geopolitical factors (Jordan, 2016; Giofré, 2021). The evolution of stock exchanges can be shown by analysing several key stock exchanges. The LSE, Euronext, Nasdaq Nordic, Deutsche Borse deserve a detailed analysis due to the occurrence of major transformations on these exchanges.

The LSE was founded in 1801, and it operated primarily as a venue for trading government securities and bonds. In its early years, trading took place in coffee houses and gradually transitioned to more formalized venues. The LSE experienced significant growth and expanded its role as a leading global financial centre during the 19th and early 20th centuries. It became a key marketplace for international securities, attracting listings from companies around the world (Kalba, 2023, pp. 262–263). The milestones of evolution of this stock market are presented in Chart 4.2. These developments created the foundations for subsequent innovations in the European exchange landscape.

Chart 4.2. Milestones of the LSE



Source: own elaboration based on LSE. (2025). *Our history*. London Stock Exchange: <https://www.londonstockexchange.com/discover/lseg/our-history> (access as of 25.11.2025).

The first milestone to be highlighted is the launch of the AIM by the LSE in 1995, designated for smaller, growing companies (LSE, 2025). The 1990s marked a significant shift towards electronic trading systems. The introduction of the Stock Exchange Electronic Trading Service (SETS) in 1997 facilitated faster and more efficient trading, replacing the traditional open outcry system (LSE, 2025). In 2007, the LSE acquired Borsa Italiana (Jordan, 2016, pp. 111–112; LSE, 2025). The transaction extended the LSE’s presence into continental Europe and reinforced its standing as a leading global exchange group. The LSE pursued various attempts to merge with other international exchanges, including Deutsche Börse and TMX Group (operator of the Toronto Stock Exchange). However, these merger attempts ultimately did not materialize due to regulatory and shareholder concerns. In 2019, the LSE Group announced its agreement to acquire Refinitiv, a leading provider of financial market data and infrastructure. The acquisition aimed to create a global financial markets powerhouse and

diversify the LSE's offerings beyond traditional exchange operations. The last of the milestone mentioned in Chart 4.2. is a conclusion of an agreement between Shanghai and London stock exchanges. This event is described in detail in the following Chapter 5.1 of this thesis.

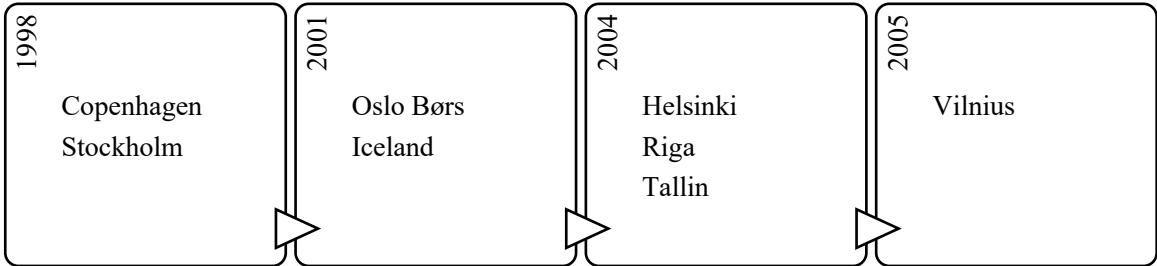
The following section discusses the development and expansion of Euronext. Euronext was created in 2001 with the aim of integrating and harmonizing the stock exchanges of Amsterdam, Brussels, and Paris (Slimane, 2012, p. 49). It was the first case of consolidation of stock exchanges in the world (Giofré, 2021, p. 2). The merger brought together the three exchanges into a unified platform, fostering cross-border trading and increasing market liquidity (Donnelly, 2023, p. 793). Euronext quickly became one of the largest exchanges in Europe. In 2001, Euronext went public itself and listed its shares on its own exchange, providing an opportunity for external investors to participate in the ownership of the exchange. This step marked a significant milestone in the evolution of Euronext and its transition from a mutual organization to a for-profit entity (Giofré, 2021, p. 2).

Euronext has pursued a strategy of expansion through acquisitions and partnerships. In 2002, it acquired the London International Financial Futures and Options Exchange (LIFFE), a leading derivatives exchange (Jordan, 2016, pp. 100–102; Donnelly, 2023, pp. 793–794). This move enhanced Euronext's presence in the derivatives market and strengthened its position as a pan-European exchange group. In 2006, Euronext completed its demutualization, transitioning into a shareholder-owned company. The same year, it announced a merger agreement with the NYSE, forming NYSE Euronext (Slimane, 2012, p. 49). This cross-border merger aimed to create a global exchange group with a significant presence in both Europe and the US. Following the merger with NYSE, Euronext became part of NYSE Euronext, which operated multiple exchanges worldwide (Jordan, 2016, pp. 74–77). After this milestone, Lisbon joined to the Euronext in 2007. However, in 2014, Intercontinental Exchange acquired NYSE Euronext and decided to spin off Euronext as a separate independent entity once again. Euronext relisted its shares on its own exchanges in Amsterdam, Brussels, and Paris in 2014, marking its reestablishment as an independent pan-European exchange group. After its spin-off, Euronext continued to expand its footprint. In 2018, it acquired the stock exchange in Dublin, further strengthening its presence in Europe. In 2019, Euronext, completed its acquisition of Oslo Børs and integrated it into its network of exchanges. As a result, the Oslo Børs was rebranded as Euronext Oslo, becoming part of the Euronext family (Euronext, 2023). The latest significant transformation in the structure of the Euronext Group was the accession of Borsa Italiana in 2021. The integration of the Italian stock exchange was one of the key stages in Euronext's

expansion strategy, aimed at strengthening the group's position as the largest pan-European trading platform (Donelly, 2023, p. 797).

Of particular analytical interest are also the structural transformations that occurred in Northern Europe. Nasdaq has recently acquired a significant group of stock exchanges in the northern Europe. In fact, Nasdaq has acquired stock exchanges in countries such as Iceland, Denmark, Finland, Sweden, Lithuania, Estonia and Latvia (Giofré, 2021, p. 2). The evolution of acquisition of the above mentioned stock exchanges can be traced through the following key developments. The first of these was the creation of the NOREX alliance in 1998. As Hellström *et al.* (2018, p. 117) points out, its goal was to create cooperation of an informal nature that would enable the integration of stock exchanges and facilitate stock transactions. The evolution of individual exchanges joining this alliance is shown in Chart 4.3.

Chart 4.3. NOREX alliance timeline

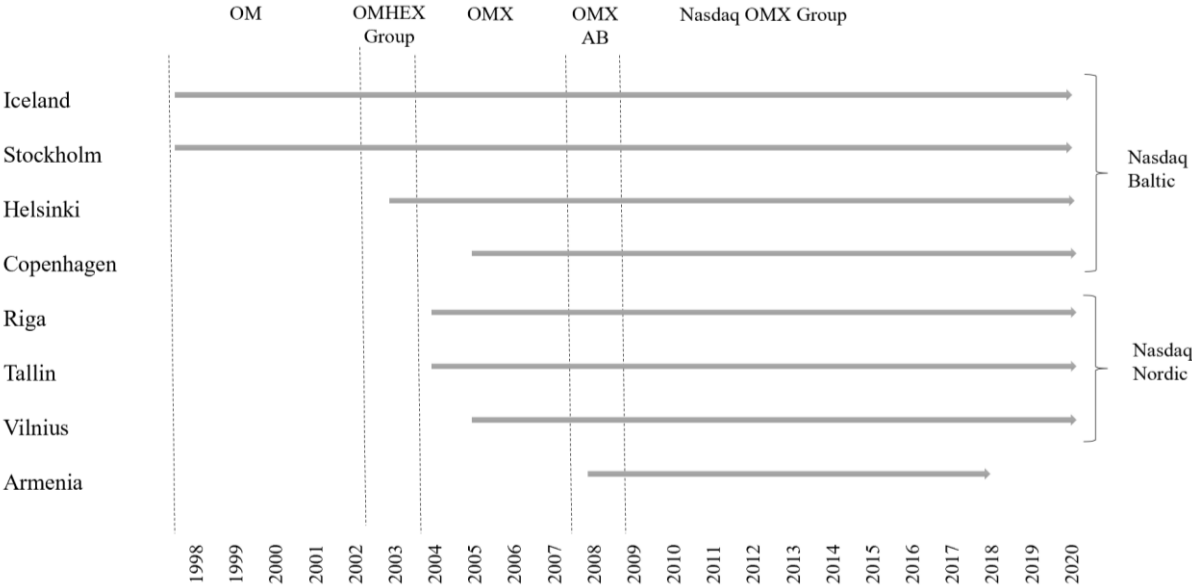


Source: own elaboration based on Hellström *et al.* (2018). *Stock Exchange Mergers and Weak-Form Information Efficiency*, Nordic Journal of Business, Vol. 67(2), p. 117.

The development of the NOREX Alliance illustrates the gradual integration of the Nordic and Baltic stock exchanges into a more cohesive regional market structure. The alliance was launched in 1998 with the participation of the Copenhagen and Stockholm stock exchanges. In 2001, the Oslo Børs and the Iceland Stock Exchange joined the arrangement, strengthening the potential of the alliance. The next phase of expansion occurred in 2004, when the alliance was extended to include the markets in Helsinki, Riga and Tallinn, thereby incorporating the Baltic region more directly into the Nordic exchange network. Finally, in 2005, the Vilnius Stock Exchange became a member, completing the initial configuration of the NOREX Alliance as a platform linking the principal Nordic and Baltic equity markets.

However, the NOREX alliance was an informal agreement of exchanges. The formal merger of exchanges called the Nasdaq OMX Group took shape during the period 1998–2008. An overview of the evolution of the exchanges is presented in Chart 4.4.

Chart 4.4. The structural changes at the Nasdaq OMX Group



Source: own elaboration based on Nasdaq Nordic (2025a), *About us*, [https://www.nasdaqomxnordic.com/about\\_us](https://www.nasdaqomxnordic.com/about_us) (access as of 08.11.2025). Armenia Securities Exchange (2025), *History*, [https://amx.am/en/about\\_us](https://amx.am/en/about_us) (access as of 08.11.2025), Nasdaq Baltic (2025), *About*, <https://nasdaqbaltic.com/about-us/about-nasdaq/> (access as of 08.11.2025), Nasdaq Nordic (2025b), *Market overview*, <https://www.nasdaqomxnordic.com/> (access as of 08.11.2025).

For more than a decade, further countries joined the alliance. The name of the alliance itself also changed. Noteworthy is the rebrand made in 2008. In this year, Nasdaq merged with OMX AB, creating the Nasdaq OMX Group. This integration resulted in combining the NASDAQ stock exchange's technology and expertise with the Nordic exchanges' operations (Hellström *et al.*, 2018; Nasdaq Nordic, 2025a). Moreover, in the same year the Armenian stock exchange joined OMX AB. After OMX became part of the newly formed Nasdaq OMX Group in 2009, the Armenian market remained within the group until its departure in 2018 (Jordan, 2016, pp. 155–156).

Nasdaq OMX Nordic holds 10% of the stock of the Oslo Børs, the main stock exchange in Norway. This acquisition expanded Nasdaq OMX Nordic's reach into the Norwegian market. In 2019 Nasdaq was preparing to acquire this exchange, but eventually withdrew from competing for it with Euronext (Solsvik, 2019). In 2020, Nasdaq Inc., the parent company of Nasdaq OMX Nordic, reached an agreement to transfer its ownership stake in Nasdaq Nordic (which includes exchanges in Copenhagen, Stockholm, Helsinki and Reykjavik) to a group of Nordic financial institutions. This transfer aimed to strengthen the Nordic exchanges' regional ownership and governance structure. Nasdaq Inc. is also the main shareholders in Nasdaq Baltic, which includes stock exchanges in Tallin, Riga and Vilnius.

Deutsche Börse AG, based in Frankfurt, Germany, is one of the world's largest exchange organizations. Deutsche Börse traces its roots back to 1585 when Frankfurt established an organized stock exchange. In 1992, the Frankfurt Stock Exchange (FSE) merged with the Deutsche Terminbörse (DTB), a derivatives exchange, to form the Deutsche Börse AG. Deutsche Börse embraced technological advancements and played a crucial role in the development of electronic trading platforms. In 1997, it launched the Xetra trading system, an electronic trading platform that quickly became the primary venue for trading German equities (Deutsche Börse, 2023).

Deutsche Börse pursued a strategy of international expansion to broaden its reach and diversify its offerings. In 2001, it acquired the LIFFE which is a leading derivatives exchange in the UK. This move significantly expanded Deutsche Börse's presence in the derivatives market (Farley, 2015, p. 711; Jordan, 2016, pp. 55–58). Deutsche Börse pursued several high-profile merger attempts to create global exchange giants. Notable examples include attempts to merge with the LSE in 2000, 2004 and 2017 (Donnelly, 2023, p. 794), as well as a failed merger with NYSE Euronext in 2011. These merger attempts were hindered by regulatory concerns and opposition from shareholders (Farley, 2011, p. 711; Jordan, 2016, pp. 72–73). Deutsche Börse has completed few of strategic acquisitions and partnerships to enhance its capabilities and global presence. For example, in 2015, it acquired the international index provider Stoxx Ltd. Additionally, it has formed partnerships with other exchanges and market infrastructure providers to expand its network and offer innovative products and services (Deutsche Börse, 2023).

Overall, the changes in the structure of European stock exchanges reflect a multi-stage process of adapting capital markets to the pressures of globalisation, technological progress and increasing regulatory requirements. Consolidations and mergers, including the creation of integrated transnational groups, have changed the balance of power on the European stock market. At the same time, institutional transformations such as demutualisation, privatisation and digitisation of trading infrastructure have revealed that the modern stock exchange no longer serves only as a trading venue, but is becoming a comprehensive provider of technology and information services. As a result, the European stock exchange system has evolved towards a more complex and multi-layered architecture that combines regional traditions with the logic of global competition.

## **4.2. European stock market legislation**

### **4.2.1. The regulatory framework of European stock markets**

Securities law constitutes a body of legal regulations governing the relationships arising within and around an exchange. It encompasses the rules applicable to legal relations generated by the operation of a stock exchange, as well as the framework regulating the activities undertaken by participants in exchange trading. In legal doctrine, securities law is increasingly recognised as an emerging, comprehensive branch of law with its own distinct subject matter and methodological foundations.

The European securities law is a harmonized and highly developed legal order applicable to all EU Member States (Binder, 2020, p. 100). It contains similar constructs and is an amalgamation of different legal constructs from different countries. As Siems (2023, p. 20) points out *'securities law in many countries has also been heavily influenced by legal transplants: from the US to European countries, from the UK to the EU, from the US and Europe to Japan and China, and so on'*. It should be noted that the first securities law was developed in the US in the 1930s and 1940s. Thus European securities law incorporates many constructs and influences from UK law (Binder, 2020, p. 91) and US law (Mäntysaari, 2021, p. 283). However, the literature estimates that European law is less developed than American law (Hutukka, 2021). The development of EU securities law has occurred in several phases, with the aim of creating a harmonized regulatory framework for securities markets across EU Member States which was broadly explained in Chapter 4.1 of this thesis.

European securities law regulates comprehensively various aspects of the stock market. The basic areas of EU regulation can be distinguished: issuers, collective investment funds and managers, investment firms and trading venues, retail market investment product disclosure, benchmarks and benchmarks administrators, credit rating agencies, short selling, market abuse or post trading (Moloney, 2023, pp. 1–2). There are multiple purposes for adopting securities law. However, two basic ones stand out in the literature. Firstly, the purpose of securities regulation is to lay the foundations of a single market, i.e. the appropriate conditions that allow for freedom in securities trading. This trading should ensure the elimination of barriers to trade in goods and services and lay the grounds for even closer cooperation within the EU. It should also provide such conditions that give its participants benefits and also a minimization of costs (Mäntysaari, 2021, pp. 372–376; Moloney, 2023, p. 4). Secondly, the purpose of adopting securities law is to eliminate with them the risks that exist in this market and to ensure the protection of investors that occur in this market (Mäntysaari, 2021, p. 376).

There are several types of risks that the introduced regulations are intended to eliminate. Firstly, it is the risk of obtaining the mistaken information to the extent necessary to make an investment decision. Secondly, it is the risk of losing the entrusted capital through, for example, improper management of the entrusted capital. Thirdly, it is also to ensure that investors are adequately protected in order to exclude a situation in which unfavourable contractual provisions are imposed on them that would worsen their situation. It is pointed out that the position of these entities on the stock market is much more weak than that of institutional investors. According to the prevailing view in the literature, effective legislation providing investors with strong protection is a characteristic of countries with well-developed and accessible stock exchanges (La Porta *et al.*, 2006; Brown *et al.*, 2013; Veil, 2022, pp. 24–26; Cheffins & Reddy, 2023, p. 189). However, at the same time, the introduction of regulations that protect market participants cause freedom to be restricted in this market (Mäntysaari, 2021, pp. 371–385).

Therefore, it can be said that the purpose of stock market law regulation is dualistic. First, the primary purpose indicated in the literature is to guarantee the fundamental freedoms indicated in the founding treaties. Secondly, the protection of small investors, or non-professional investors, is also of great importance in establishing this law.

The legal system of every EU Member State, including its securities law, comprises multiple levels (Wymeersch, 2019, pp. 5–6). The first is the EU law, or the legal acts listed in Art. 288 TFEU. This provision lists a catalogue of instruments that the European institutions can use to carry out their tasks. As stated in Art. 288 of TFEU, the legal sources are divided into two groups (Strand, 2020, p. 82):

- a) binding: regulations, directives and decisions;
- b) non-binding: recommendations and opinions.

The second level of the legal system comprises national laws. These laws are directly shaped by EU requirements, ensuring that Member States comply with harmonized rules across Europe (Walla, 2022, p. 57). The third level, in contrast, encompasses national laws that are not derived from EU directives but are enacted independently by each country to address domestic legal needs and specificities of their national markets. This distinction highlights how national legal systems balance the obligations imposed by EU law with their own regulatory priorities. However, these regulations cannot be in contrary to the EU law (Wymeersch, 2019, pp. 5–6). There is also a fourth level of stock exchange legislation, which consists of the internal regulations of the stock exchanges. Market participants who are present on this exchange, must comply with the regulations arising from these internal laws. These regulations cannot be in

contrary to the national law and, as with national regulations, they also cannot be in the conflict with the EU regulations (European Commission, 2020, p. 38).

Therefore, the securities law applicable to individual European countries can occur at all four levels. As for EU countries, it is important to note the scope of the acts that most often regulate the area of exchange law for EU countries. A regulation has a general scope, is binding in its entirety and has direct effects, i.e. it must be directly applied. A directive is not directly applicable and requires transposition, i.e. implementation into the national legal order, for its implementation. A directive binds each Member State with respect to the result to be achieved. However, national authorities are allowed to choose the form and measures how to achieve it (Veil, 2022, pp. 36–37; Strand, 2020, p. 82).

The beginning of the development of European stock exchange law can be traced to the publication in 2001 of the Alexandree Lamfalussy report<sup>15</sup>. This report laid the foundation for the creation of European stock exchange law by introducing a four-level regulatory process in EU structures. These levels remain effective till now (Walla, 2022, pp. 43–51) and are presented in Table 4.1.

The legal regulations of the country in which a stock exchange operates are among the key factors considered by those considering issuing securities. The way in which regulations are shaped, corporate governments rules, the need to meet certain requirements, the amount and method of imposing penalties for breaking certain laws, are important elements that are analysed in depth by companies. Despite the harmonization of the law at the general European level, sometimes the manner of cooperation with the supervisory authority, the time in which the authority considers applications and makes decisions, the degree of understanding of business needs, or the clarity of national regulations can determine decisions.

Given the important role played by the LSE in the European securities market, it is also necessary to take into account national legislation regulating securities trading in the UK. After Brexit in 2020, the UK is not obliged to comply with the EU law. In fact, one of the arguments in the discussion for the UK's exit from the EU was to free itself from the need to apply EU law, which was inadequate to the changing economic reality, and which discouraged many companies from listing on the LSE (Sweeney, 2021) in favour of pursuing IPOs on US stock exchanges (Mansaku *et al.*, 2016, p. 413).

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<sup>15</sup> For further information see: Final Report of the Committee of wise men on the Regulation of European Securities Markets, Brussels, 15 February 2001, [https://www.esma.europa.eu/sites/default/files/library/2015/11/lamfalussy\\_report.pdf](https://www.esma.europa.eu/sites/default/files/library/2015/11/lamfalussy_report.pdf) (access as of 20.05.2023).

Table 4.1. The four-level regulatory process in EU structures

Level	Type of legal act	Scope
Level I	Framework Directives	These are regulations of a general nature adopted by the European Parliament and the Council.
Level II	Implementation regulations of a detailed and technical nature adopted by the EC, implementing directives (Level II directives) and regulations	These regulations are intended to clarify the acts adopted at Level I.
Level III	Interpretations of EU law, common standards and supervisory cooperation	This is aimed at developing common supervisory standards and rules.
Level IV	Implementation of EU law and supervision of this implementation	The purpose of this level is to strengthen cooperation in the implementation of EU laws.

Source: own elaboration based on Final Report of the Committee of wise men on the Regulation of European Securities Markets, Brussels, 15 February 2001, [https://www.esma.europa.eu/sites/default/files/library/2015/11/lamfalussy\\_report.pdf](https://www.esma.europa.eu/sites/default/files/library/2015/11/lamfalussy_report.pdf) (access as of 20.05.2023).

There have been many visions as to what the UK legal order should look like after leaving the EU. At first, it was postulated that the UK should adopt the entirety of EU regulations as its domestic law. Such a solution was read by the UK as a compromise, as creating a completely different legal regime could drive away foreign investors (Armour *et al.*, 2018, pp. 464–466). In the end, however, a solution was adopted in which the UK is in the so-called third-country regime, i.e. that it is treated as a third country in its relations with EU countries (Mäntysaari, 2021, p. 403; Moloney, 2023, p. 905). This does not mean that the UK cannot obtain privileges that would nevertheless allow it to receive more preferential recognition than other third countries. Under the equivalence regime, if the European Commission accepts that a country has complied with EU regulations to a certain extent and guarantees compliance at a given level, it can apply for access to a certain part of the market (Fagernäs *et al.*, 2020, p. 5; Moloney, 2020, p. 38). Currently, no such decision has yet been made.

The UK has undergone significant reforms of its laws governing IPOs. The previous UK Prospectus Regulation, introduced in 2021 in the aftermath of Brexit (HM Treasury, 2023), has now been replaced by the Public Offers and Admissions to Trading Regulations 2024 (POATRs). These regulations, together with the Financial Conduct Authority (FCA) Prospectus Rules: Admission to Trading on a Regulated Market (PRM), constitute the new UK framework for IPOs. The POATRs and PRM aim to achieve several key objectives (FCA, 2025):

1. Broader participation in the ownership of public companies, particularly by retail investors.

2. Improved efficiency in raising public capital, by simplifying regulatory requirements and eliminating duplication present in the previous prospectus regime.
3. Enhanced quality of information for investors, while maintaining proportionate disclosure obligations.
4. Greater regulatory flexibility, enabling issuers to respond more effectively to the market needs.

The new legal framework was finalized with FCA Policy Statements PS25/9 and PS25/10, published on 15 July 2025 (FCA, 2025). While the regulations will formally enter into force on 19 January 2026, issuers may submit draft prospectuses for review from 1 December 2025, facilitating a smooth transition. Until that date, the 2021 UKPR remains in effect, meaning that IPOs continue under the previous rules. The reform represents a major modernization of UK securities law, designed to make the capital markets more accessible, competitive, and investor-friendly.

Given the importance of national regulations, such as those in force in the UK, it is also necessary to refer to the European securities law system, which shapes the framework for the functioning of the entire capital market in the EU. European regulations aim to harmonise the rules for trading in financial instruments, increase market transparency and strengthen investor protection. However, this system is not limited to a uniform set of rules. It leaves EU countries a certain degree of autonomy in implementing regulations, which allows for local market conditions and legal traditions to be taken into account. In the context of European integration, it is therefore important to understand that European law plays a coordinating and harmonising role, working in tandem with national legislation to ensure both market efficiency and security. This allows market participants to operate in a consistent and predictable legal environment, which promotes the development of cross-border securities trading and the integration of financial markets in Europe.

#### **4.2.2. Prospectus Regulation in the framework of European securities law**

In the context of primary securities market analysis, the prospectus is of particular importance, as it is a key regulatory document in an IPO. Disclosure in cases of IPO plays a key role in investor protection, as it eliminates information asymmetry between market participants (Busch, 2020, p. 3). This area is mainly regulated by the Commission Delegated Regulation (Regulation 2019/980, hereinafter: Prospectus Regulation)<sup>16</sup>, which replaced the Prospectus

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<sup>16</sup> Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the

Directive (Directive 2017/1129)<sup>17</sup> (hereinafter: Prospectus Directive). The Prospectus Regulation is in force since 21<sup>st</sup> of July 2019. The purpose of the introduction of Prospectus Regulation is to ensure that regulations directly imposing obligations on persons involved in IPO process are applied uniformly across the EU (Moloney, 2023, pp. 97–99).

The previous binding directive provided Member States with the freedom to choose the means to implement the directive in their local legal orders as to its purpose. However, the Prospectus Regulation is a single act in force in all Member States, which can cause challenges during its implementation (Moloney, 2023, pp. 101–102). One such difficulty is aligning the practices of national competent authorities ensuring consistent interpretation and application of the regulation. Overall, the Prospectus Regulation represents a significant step toward harmonizing and streamlining the prospectus regime within the EU. It aims to strike a balance between facilitating access to capital markets, reducing administrative burdens, and maintaining investor protection (Busch, 2020).

In view of the harmonization of the legal framework, it is ensured that uniform legislation is allowed for the information that a prospectus should contain. According to the Art. 1 of the Prospectus Regulation, this regulation sets forth the requirements for the preparation, approval and distribution of a prospectus to be published in connection with a public offering of securities or their admission to trading on a regulated market located or operating in a Member State. The Prospectus Regulation stipulates that, as a general rule, the prospectus shall contain the necessary information that is relevant for an investor to make an informed assessment of (Art. 6 of the Prospectus Regulation):

- a) The assets and liabilities, profits and losses, financial position, and prospects of the issuer and each security.
- b) The rights associated with the securities in question.
- c) The rationale for the offering and its impact on the issuer.

In practice, this requirement implies that prospectuses are a key tool for transparency in capital markets, enabling investors to reliably assess both the issuer's growth potential and the risks associated with the investment. Furthermore, the scope of information specified in this regulation emphasises the importance of financial and structural analysis of companies and the role of investors' rights, which in turn affects the perceived credibility of the market. From

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prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004 (OJ L 166, 21.6.2019, p. 26–176).

<sup>17</sup> Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (OJ L 168, 30.6.2017, p. 12–82).

a regulatory perspective, this approach helps to reduce information asymmetry between issuers and investors and strengthens the stability and attractiveness of European markets compared to other regions of the world.

The content of the Prospectus Regulation has been structured by certain universal principles (Moloney, 2023, pp. 138–144). The key rules relating to prospectus issues under the Prospectus Regulation are presented in Table 4.2.

Table 4.2. Rules governing the preparation of a prospectus in the EU countries

Rule	Explanation
Principle of approval of the prospectus by the competent authorities of the Member State	Each prospectus should be approved, however the principle of freedom of choice of measure does not determine the methodology of this approval, the possibility of assignment of approval rights, etc.
Single passport rule	A prospectus approved in one Member State should, in principle, be recognized as approved in other Member States.
Obligation to publish a prospectus	Prospectus should be published in such a way that its contents are widely available to the public, usually before the start of the offering (in certain special situations before the end of the offering).
Prohibition of unreliable advertising	It is achieved primarily by making it clear that the information in question is advertising, and that the information that can be the basis of an investment decision is contained in the prospectus, as well as by the control of advertising by the supervisory authorities.
Use of the national language	The national language to be used in the case of publication of the prospectus in the home state supplemented by the principle that in the case of an offering in another Member State, it is possible to use the language of that other state or the language accepted in the sphere of international finance, namely English.
Principle of home state supervision	Taking supervisory measures to protect investors by the host country supervisory authority is only possible when the home country supervisory authority ignores the indication and information received from the host country supervisory authority.

Source: own elaboration based on Busch, D. (2020), *The influence of the EU prospectus rules on private law*, Capital Markets Law Journal, 16(1), pp. 3–30 and Moloney, N. (2023). *EU Securities and Financial Markets Regulation*. Oxford University Press. fourth ed., pp. 138–144.

Furthermore, the stock market participants operate under a dual supervisory framework. As Wymeersch (2019, p. 1) points out, securities law can be divided into two layers. The first is the regulation of the relationships that occur between market participants and the institutions of the market. This layer covers the rules governing transactions, disclosure duties, investor protection mechanisms, and the conditions under which various actors may enter or exit the market. Therefore, it shapes the everyday functioning of the market and determines the degree

of transparency and efficiency with which capital is allocated. The second layer is the set of capital market regulations governing the institutions operating in this market and supervisory bodies. These rules focus on the organisational, prudential, and operational requirements that such institutions must meet in order to ensure the integrity and stability of the market infrastructure as a whole.

Given the above distinction, in the system of European securities law the area relating to the market supervision authority is particularly significant. The supervisory framework not only enforces compliance within both layers but also acts as a central mechanism through which the EU seeks to maintain market stability, safeguard investor confidence, and coordinate cross-border regulatory practices. As a result, the role, powers, and functioning of supervisory institutions, especially within a highly integrated and interdependent European market, become a crucial point of reference for understanding how the two layers of regulation interact in practice.

Initially the role of supranational supervisory authority was played by the CESR. Following the first effects of the financial crisis, in September 2009, European Commission proposed that the CESR be replaced by the European System of Financial Supervisors (ESFS). It consisted of the European Banking Authority (EBA), the ESMA and the European Insurance and Occupational Pensions Authority (EIOPA). Following the approval of all Member States, the three aforementioned bodies began acting as a supervisory authority on 17<sup>th</sup> of November 2010 (van Rijsbergen, 2021, pp. 2–4).

Accordingly, the EU Regulation of the European Parliament and of the Council of 24<sup>th</sup> of November 2010 establishing a European Supervisory Authority (ESA)<sup>18</sup> created a securities market supervisory regime. According to the preamble to this act, the purpose of this system is to protect the public interest by improving the functioning of the internal market, including, in particular, an effective and consistent level of regulation and supervision, ensuring the fairness, transparency, efficiency and proper functioning of financial markets, strengthening international supervisory coordination, preventing so-called regulatory arbitrage and promoting a level of competitive environment.

The mission of ESMA, the crucial stock market supervisor, is to enhance investor protection, promote orderly financial markets and safeguard financial stability (ESMA, 2023). ESMA's key tasks include coordinating the supervision of supervised entities at the European

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<sup>18</sup> Regulation (EU) of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/79/EC (OJ L 331, 15.12.2010, pp. 48–83).

level. ESMA also has the power to issue individual binding decisions to market players as well as national institutions. Further ESMA competencies include the ability to take a legislative initiative to the European Commission to adopt binding regulatory technical standards for securities market areas. Finally, ESMA also has the power to issue interpretations of guidelines or recommendations, as well as issue non-binding opinions, develop Q&As, *etc.* (van Rijsbergen, 2021, pp. 7–8).

In addition to the supervisory authority at the European level, national capital market supervisors perform supervisory functions in specific EU Member States. In many jurisdictions, these entities enforce corporate governance practices in addition to overseeing listed companies (OECD, 2021, p. 36). In addition to exercising oversight of listed market participants, critical tasks of supervisors include the review and approval of prospectuses.

### **4.3. The IPO dynamics in Europe**

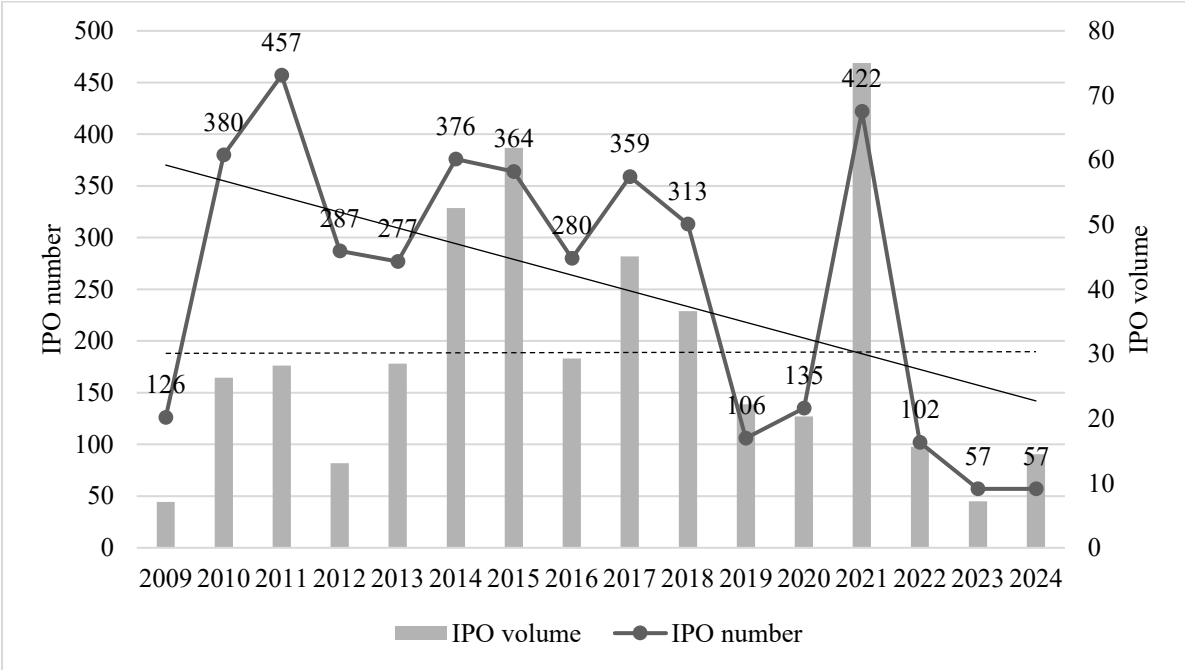
The analysis of the European stock market constitutes a fundamental element in examining the dynamics of IPOs within the EU. The statistical data presented in this subsection enable the identification of trends in the number of IPOs carried out and the value of capital raised, as well as allowing for an assessment of the impact of cyclical economic changes on issuance activity. This analysis provides a background for further considerations regarding the functioning of the primary market and the factors determining the development of the European IPO market.

The European stock exchanges are diverse in terms of length of operation, which also reflects the heterogeneity in the degree of development of these markets (Danko & Suchý, 2021, p. 14; Demir *et al.*, 2025). The European stock market includes stock exchanges operating in well-developed economies where the capital market has been developed for decades (e.g., Germany, Sweden or the UK). There are also small stock exchanges operating mainly in Central and Eastern European countries, which have only recently been called developed economies (e.g., Poland, Slovakia, Hungary).

Given the diversity of stock exchanges in Europe and the differences between European capital markets and those globally, this section of thesis provides a comprehensive analysis of the IPO market in Europe. This analysis takes into account various aspects of market functioning, including the number of IPOs and their characteristics, the number of delistings, the total number of listed companies, and the structure of companies conducting IPO. This approach provides a more complete picture of market dynamics and identifies the specific characteristics of the European capital market in a global context.

The number of conducted IPOs and value of capital raised constitute an important indicator of the conditions prevailing in a given stock market. Chart 4.5 illustrates how the number of IPOs and volume of IPOs on main and alternative markets of stock exchanges in Europe has changed over time.

Chart 4.5. Number and volume (in EUR bn) of IPOs on the main and alternative markets of European stock market in 2009–2024



Note: the solid line represents the trend line for the number of IPOs, while the dashed line represents the trend line for IPO volume. The timeframe of the analysis starts from 2009 due to the data availability. IPO volume represents the total value of the IPO, including all shares sold in the offering, both newly issued shares and those sold by existing shareholders (secondary shares).

Source: own elaboration based on PwC. (2025c). *IPO watch EMEA - all editions*. PwC. <https://www.pwc.co.uk/services/audit/insights/ipo-watch-emea/all-editions.html> (access as of 05.12.2025).

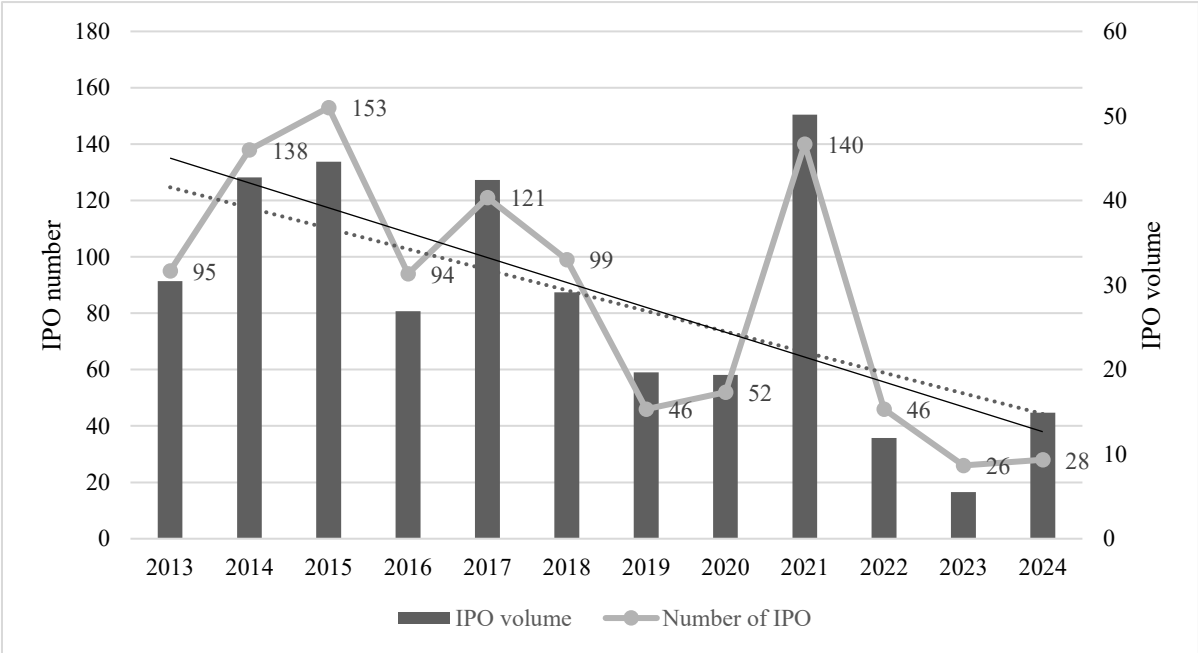
The data presented in Chart 4.5 shows a clear cyclicity of the European IPO market in 2009–2024 and a gradual downward trend in both the number of IPOs and the value of capital raised. The period immediately following the financial crisis was characterised by a marked recovery. In 2010–2011, the number of IPOs grew rapidly, reaching 457 debuts in 2011, which was one of the highest results in the entire period analysed. The value of IPOs also remained at relatively high levels during these years. After 2011, there were repeated waves of growth and decline. The years 2014–2018 saw a relatively stable level of activity, although without a return to the record levels of the early decade. In 2021 the number of IPOs rose again and the value of

issues reached a high level. This is the result of the global economic rebound after the COVID-19 pandemic and favourable liquidity conditions.

However, from 2022 a significant weakening of the market can be seen for both the number of debuts and the total value of offers decline. The years 2023–2024 bring historically low levels of activity, with only 57 IPOs per year and modest amounts of capital raised. The linear trend shown in Chart 4.5 confirms a continuous downward trend lasting several years. Thus, after a period of intense growth in 2010–2011 and a one-off rebound in 2021, the European market entered a phase of marked weakness.

In the following section, the analysis concerns exclusively for IPOs conducted on the main markets of stock exchanges in Europe. Analogous to the analysis presented in Chart 4.5, the results are shown for both IPO volume and the number of IPOs (see Chart 4.6).

Chart 4.6. Number and volume (in EUR bn) of IPOs on the main markets of European stock market in 2009–2024



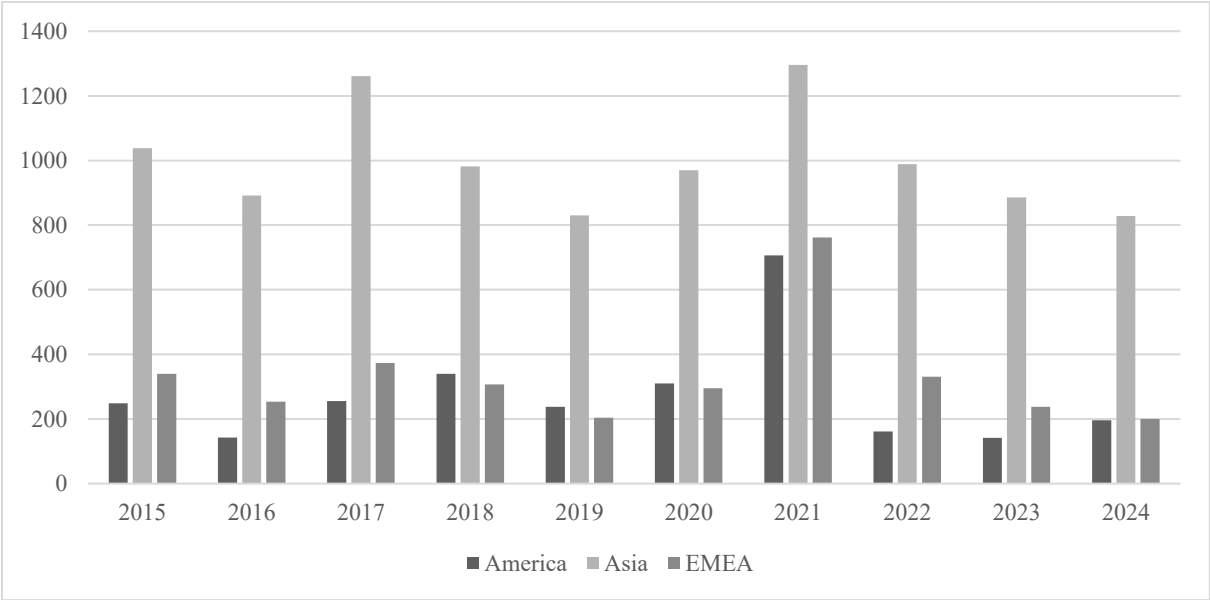
Note: the solid line represents the trend line for the number of IPOs, while the dashed line represents the trend line for IPO volume. The timeframe of the analysis starts from 2013 due to the data availability. IPO volume represents the total value of the IPO, including all shares sold in the offering, both newly issued shares and those sold by existing shareholders (secondary shares).

Source: own elaboration based on the FESE (2025). *Listed Equity Database*. The Federation of European Securities Exchanges. <https://www.fese.eu/statistics/led-database/> (access as of 11.11.2025) and LSE (2025b). *Reports*. London Stock Exchange Group. <https://www.londonstockexchange.com/reports?tab=new-issues-and-ipos> (access as of 11.11.2025).

An analysis of IPO data on the main markets of the European stock exchanges shows cyclicity of the stock market. Between 2013 and 2015, there was an increase in the number of issues from 77 to 115, with a simultaneous increase in the total value of IPOs, reaching a peak in 2015. Between 2016 and 2020, there was a gradual decline in the number of IPOs to 34, with a parallel decline in the value of issues, although in some years (2017–2018) the values remained relatively stable, indicating a weakening of market activity. In 2021, there was a sharp increase in the number of issues to 112 and an increase in the volume of IPOs, which can be interpreted as the effect of economic recovery after the COVID-19 pandemic and favourable macroeconomic conditions. However, in 2022–2023, there was a decline in both the number of IPOs and the value of issues, reaching their lowest level in 2023, which may reflect economic uncertainty and regulatory changes. A partial market recovery can be observed in 2024, with the number of public offerings increasing to 31 and the value of issues rising. The trend for both variables indicates an overall decline in public offering market activity between 2013 and 2024, despite short-term increases in 2015 and 2021.

Referring to IPO data in relation to broader global trends, Chart 4.7 shows the number of IPOs in the Americas, Asia and EMEA regions between 2015 and 2024.

Chart 4.7. Number of IPO in America, Asia and EMEA regions in 2015–2024



Source: own elaboration based on WFE (2025). *Statistical portal*. <https://www.world-exchanges.org/> (access as of 15.11.2025).

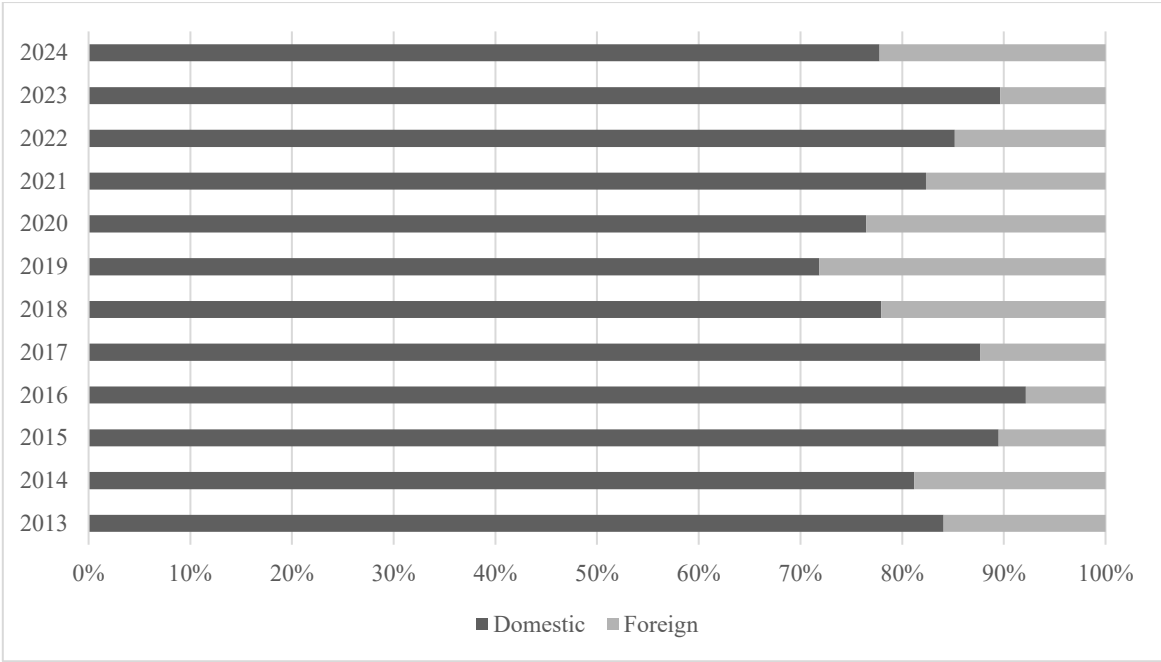
Data shows that Asia consistently ranks first in terms of the number of IPOs and remains structurally higher than other regions. In comparison, the American and EMEA markets display

more moderate IPO activity, marked by a pronounced surge in 2021. This increase can be observed to all analysed regions as it is an effect of the improved post-pandemic growth expectations (Demir *et al.*, 2025). The subsequent decline in 2022–2024 indicates a cyclical cooling of investor risk appetite alongside tighter monetary policy. Data indicates that while all three regions were affected by common global shocks, Asia exhibits the strongest structural capacity to generate IPOs. Research by Demir *et al.* (2025) confirms that emerging markets tend to experience more pronounced increases in IPO frequency, whereas in advanced economies the IPO activity is more sensitive to market volatility and broader economic conditions. Moreover, it is worth to mention that over the past 30 years, the global securities market has seen significant changes. In the 1990s, global markets were dominated mainly by companies from stock exchanges located in countries such as Germany, the UK, France, and Italy. According to the OECD (2021, p. 19), 3,000 companies from these countries accounted for 42% of the capital raised in 1990. As the years passed, the situation on European stock exchanges began to deteriorate, and companies from Asian countries began to gain importance (OECD, 2023). Moreover, according to OECD data (OECD, 2021, p. 19), between 2009 and 2020, Asian companies raised nearly half of all capital in global markets. Moreover, the data presented by the EC in its report on the securities market (European Commission, 2020, p. 26), testify to the rise in importance on the securities markets of Asian companies and the loss of this importance by European companies.

In the next part of analysis of the European IPO market, the focus is on the structure of companies that went public in 2013–2024, with particular emphasis on their origin. Chart 4.8 shows the geographical structure of companies going public through IPO on major European markets, distinguishing between domestic and foreign issues. The analysis of the data shows that domestic companies accounted for the majority of IPOs, with their share ranging between 70% and 90% in most years. The share of foreign companies was relatively lower, most often ranging between 10% and 30%, with slight deviations in specific years.

As presented in Chart 4.8, there is no clear trend of systematic growth or decline in the share of foreign companies in the analysed period, which indicates the relative stability of the geographical structure of debuting companies. In 2019–2020 a slight increase in the share of foreign companies is seen, which may reflect a period of intensified global investment activity in the main European markets. Overall, the predominance of domestic companies suggests that the European stock exchanges remain primarily markets prioritised by domestic entities, with foreign companies playing a limited role in the total volume of IPOs.

Chart 4.8. Share of domestic and foreign IPO on European stock exchanges in 2013–2024



Source: own elaboration based on the FESE (2025). *Listed Equity Database*. The Federation of European Securities Exchanges. <https://www.fese.eu/statistics/led-database/> (access as of 11.11.2025) and LSE (2025b). *Reports*. London Stock Exchange Group. <https://www.londonstockexchange.com/reports?tab=new-issues-and-ipos> (access as of 11.11.2025).

In addition to a collective analysis of stock markets in Europe, it is also necessary to examine individual markets. Table 4.3 presents data covering the general characteristics of the IPO market on European stock exchanges in 2013–2024. As presented, both the scale of IPO activity and the structural diversity of individual markets, measured by the number of IPO, the share of foreign issuers, market capitalisation of these companies on the first day of trading, and the value of newly issued and total shares.

The analysis of the data reveals a significant dichotomy between the major international markets and smaller, local stock exchanges. The highest activity was recorded on the LSE, where 453 IPOs were carried out during the period under review, 95 of which concerned foreign companies. London also remains a key centre for capital accumulation and the total value of new and existing shares offered in IPOs. Relatively high activity is also characteristic of Nasdaq Nordic & Baltics and Euronext, confirming their role as regional platforms attracting both domestic and foreign issuers. Euronext in particular stands out with its high cumulative capitalisation and a relatively moderate number of foreign IPOs.

Table 4.3. General characteristic of IPO on European stock exchanges (2013–2024)

Stock exchange	Number of IPO	Number of foreign IPO	Market capitalisation on the first trading day in EUR bn	Value of newly issued shares in EUR bn	Value of newly and already issued shares in EUR bn
Athens Stock Exchange	11	3	12.39	6.75	7.58
Bolsas y Mercados Espaoles (BME)	34	1	73.89	7.40	29.00
Boerse Stuttgart	16	13	0.06	0.10	0.16
Bucharest Stock Exchange	11	2	16.54	0.57	3.05
Budapest Stock Exchange	5	0	0.39	0.08	0.37
Bulgarian Stock Exchange	7	0	0.43	0.04	0.06
Cyprus Stock Exchange	2	0	0.00	0.00	0.13
FSE	87	18	360.64	15.40	53.04
Euronext	181	23	256.44	4.67	64.54
Ljubljana Stock Exchange	1	0	1.13	0.00	0.02
Luxembourg Stock Exchange	14	9	50.06	0.83	8.10
LSE	453	95	267.29	75.39	92.34
Malta Stock Exchange	11	0	0.82	0.19	0.33
Nasdaq Nordic & Baltics	232	19	182.93	14.50	43.40
Prague Stock Exchange	5	0	2.23	0.07	0.88
SIX Swiss Exchange	37	3	53.50	8.47	19.60
Vienna Stock Exchange	4	0	5.51	0.20	5.54
WSE	99	16	38.08	1.28	8.32
Zagreb Stock Exchange	18	0	0.43	0.23	0.35

Note: Nasdaq Nordic & Baltic represents the combined figures for Nasdaq Nordic and Nasdaq Baltic.

Source: own elaboration based on the FESE (2025). *Listed Equity Database*. The Federation of European Securities Exchanges. <https://www.fese.eu/statistics/led-database/> (access as of 11.11.2025) and LSE (2025b). *Reports*. London Stock Exchange Group. <https://www.londonstockexchange.com/reports?tab=new-issues-and-ipos> (access as of 11.11.2025).

In contrast, most markets in Central and Eastern Europe and Southern Europe are characterised by a significantly lower level of IPO activity. For example, on the stock exchanges in Ljubljana, Zagreb and Sofia only 1 to 7 IPOs were conducted during the analysed period.

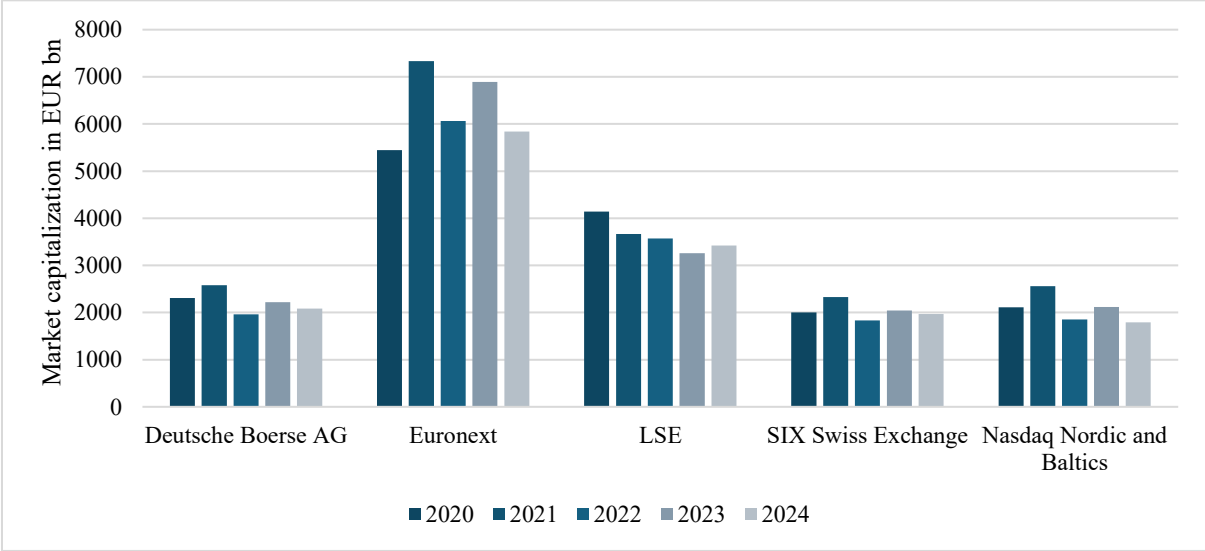
Moreover, the value of capital raised remained at low levels, often below one billion EUR. In the case of some markets, such as Bulgaria, the Netherlands and Cyprus, the share of foreign companies was zero or marginal, indicating the strongly local nature of these markets.

In addition, more specialised stock exchanges, such as the Luxembourg Stock Exchange, attracted a relatively high percentage of foreign issuers (9 out of 14 IPOs), despite the moderate number of debuts. Therefore, the overview of IPO activity shows that the European IPO market has a hierarchical structure, in which large, multinational stock exchanges play a key role. They form the core of the regional capital raising ecosystem, while smaller platforms function mainly as local markets with limited capacity to attract foreign issuers and accumulate capital through IPO.

Moreover, diversification, liquidity and trading volumes are generally concentrated in the larger and more established stock exchanges. These exchanges tend to have a higher number of listed companies, greater market capitalization, and attract a larger pool of investors. Nevertheless, regional stock exchanges still play a valuable role in the European market ecosystem, satisfying the needs of specific market segments and supporting local economies.

The comparison of the biggest stock exchanges in Europe in terms of market capitalisation is presented in Chart 4.9.

Chart 4.9. Market capitalization of selected European stock market in EUR m from 2020 to 2024



Note: Nasdaq Nordic & Baltic represents the combined figures for Nasdaq Nordic and Nasdaq Baltic.

Source: own elaboration based on WFE (2025). *Statistical portal*. <https://www.world-exchanges.org/> (access as of 15.11.2025).

Among the markets analysed, Euronext consistently records the highest market capitalisation, exceeding EUR 7 trillion in 2021 and remaining the largest platform in Europe throughout the period. The LSE ranks second, but its capitalisation has been steadily declining since 2020, reflecting broader structural changes and market adjustments following Brexit. The remaining exchanges analysed rank further down, showing a stable but less dynamic trend compared to Euronext and the LSE mentioned above. SIX Swiss Exchange and Nasdaq Nordic & Baltics represent medium-sized European markets, each maintaining a capitalisation of between EUR 1.8 trillion and EUR 2.3 trillion. Their values remain relatively stable over time, without significant fluctuations. Overall, the data indicate a clear concentration of market capitalisation in the two largest European stock exchanges, i.e. Euronext and LSE, which form the core of the European stock market.

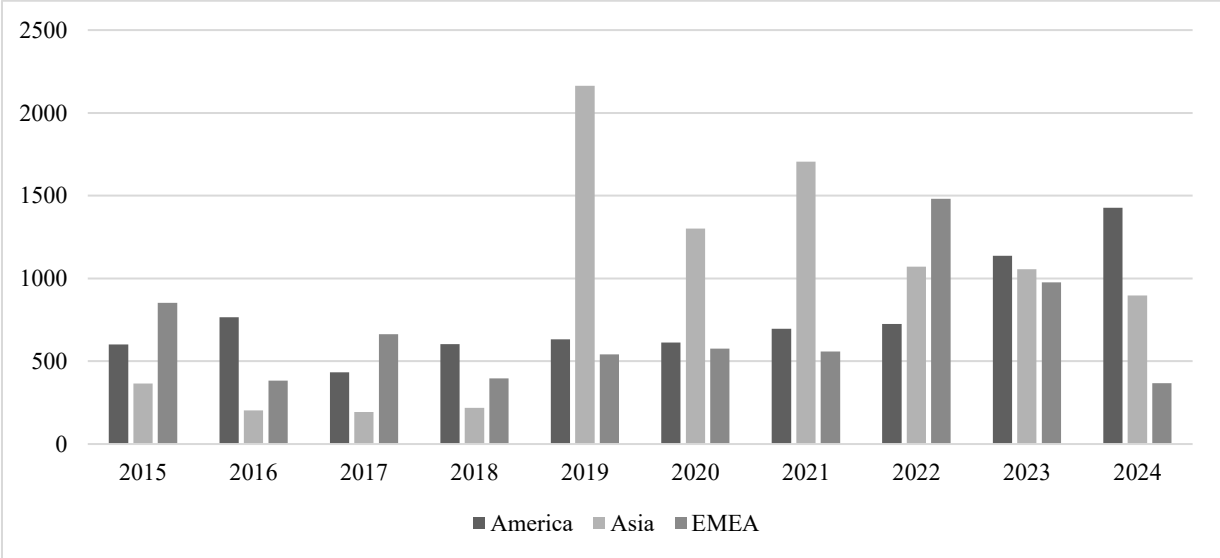
An additional analytical dimension concerns the scale of delisting activity. The attractiveness of going public is significantly influenced by the costs and obligations associated with listing on regulated markets. In the recent literature, one can find many publications presenting the phenomenon of delisting in the European IPO market (Magni *et al.*, 2021; Bessler *et al.*, 2023; Balp, 2024; Passador, 2025). It is also indicated that this market is experiencing a contraction of public markets, manifested in a declining number of publicly listed firms due to rising delisting activity (Makrominas & Yiannoulis, 2021; Cheffins & Reddy, 2023, p. 179; Balp, 2024). As indicated by the European Commission (2020, p. 77), the main reason for delisting on the London, Milan and Paris stock exchanges is M&A activity. Other reasons include their acquisition by private entities such as private equity funds or holding company (Helbing *et al.*, 2019; Chiu & MacNeil, 2023, p. 1–2). As Magni *et al.* (2021) point out, companies often choose to go private due to substantial free cash flows that heighten agency costs and signal limited growth opportunities. Delisting can also reduce agency conflicts, generate tax savings, and lower the direct and indirect costs associated with remaining publicly listed.

This phenomenon is occurring not only in Europe, but also in developed world markets such as the US (McDonald, 2022), as well as globally (Doidge *et al.*, 2018). According to a report by Mauboussin & Callahan (2020, p. 25), the number of the publicly listed companies at the US stock exchanges in 2019 was around 3600, while in the middle of 1990s there were over 7000 companies, which constitutes around half less. According to the OECD data (2021, p. 18), between 2005 and 2020, more than 30,000 companies were delisted globally, which constitutes about 75% of all companies listed on the markets today. Contributing to the phenomenon of shrinking stock exchanges is, among other things, the development of non-

public stock markets, private equity and venture capital (Helbing *et al.*, 2019; Chiu & MacNeil, 2023, p. 1–2).

Taking into account the above reservations, an empirical analysis of the scale of delisting of companies from stock exchanges around the world was conducted. The magnitude of this phenomenon is presented in Chart 4.10, where it is shown in relation to three key regions, including securities markets in Europe.

Chart 4.10. Number of delistings in America, Asia and EMEA regions in 2015–2024



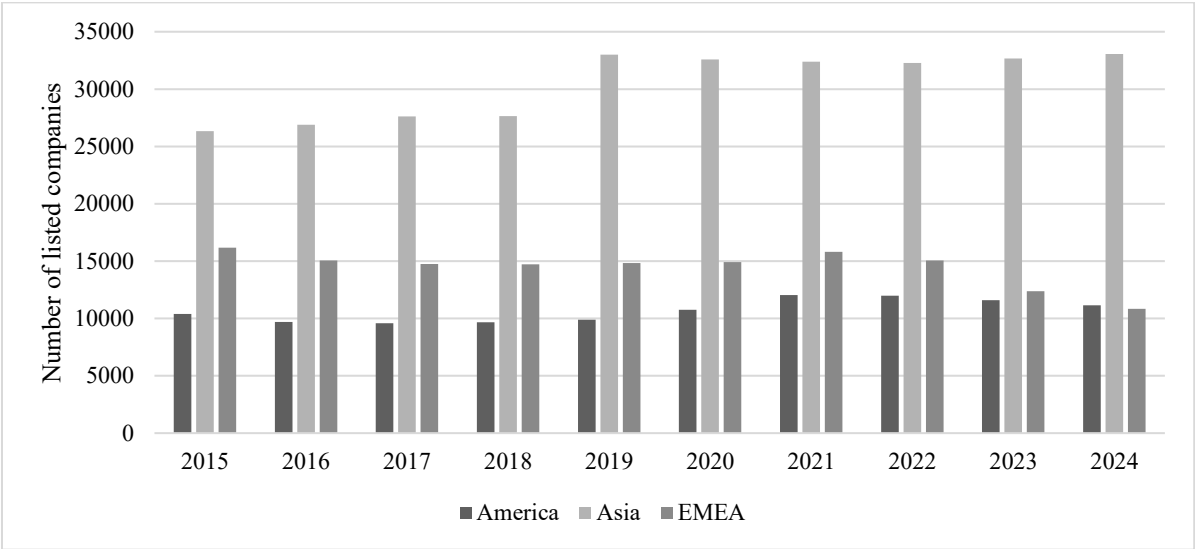
Source: own elaboration based on WFE (2025). *Statistical portal*. <https://www.world-exchanges.org/> (access as of 15.11.2025).

An increase in the number of delistings in all three regions between 2015 and 2024, with particularly strong growth in Asia, is presented in Chart 4.8. In the first half of this analysed period, delistings in the Americas and EMEA remained relatively moderate, while the Asian market saw a sharp increase in 2019, when the number of delistings more than doubled compared to previous years.

In subsequent years, the number of delistings in Asia gradually approaches the levels observed in America and the EMEA region, and eventually exceeds them, especially from 2022 onwards. Between 2021 and 2024, all three regions show increased and more volatile levels of delistings compared to the period before 2019, suggesting a shift where listings and delistings coexist as parallel manifestations of the dynamic reallocation of companies between public and private forms of financing. These data also confirm the above observations indicated in the literature concerning the increase in the number of delistings as a new process occurring on stock exchanges around the world.

Apart of the above mentioned dimensions, the stock exchanges are also differentiated in terms of the number of listed companies. An overview of stock exchanges in Europe in terms of the number of companies listed on these exchanges is presented in Chart 4.11. Data shows noticeable changes in the number of listed companies in all three regions between 2015 and 2024, with the most dynamic growth observed in Asia. In the first half of this period, data for the Americas and EMEA remain relatively stable, fluctuating within a narrow range, suggesting a mature market structure with a limited number of new entrants. In contrast, Asian stock exchanges experience a sharp increase in 2019, when the number of listed companies rises significantly compared to previous years.

Chart 4.11. Number of listed companies in America, Asia and EMEA regions from 2015 to 2024



Source: own elaboration based on WFE (2025). *Statistical portal*. <https://www.world-exchanges.org/> (access as of 15.11.2025).

The stabilization in terms of number of listed companies on the developed stock markets as those in America and EMEA regions in the last years can be attributed to several interrelated factors. It includes regulatory changes, market dynamics, and shifts in financing preferences. These elements collectively influence the attractiveness of IPO for companies (Helbing *et al.*, 2019; Costa & Ragazzo, 2024; Alimov & Hertzels, 2024; Demir *et al.*, 2025). In the US, the primary factors include merger activity, private equity investments, and regulatory changes (particularly the Sarbanes–Oxley Act of 2002), which significantly impacted U.S. listings (Chemmanur *et al.*, 2022; Lattanzio *et al.*, 2023).

Overall, the data indicates that the stock market in Europe has undergone a gradual but noticeable transformation over the past decade. Although the number of listed companies

declined in the past two years, it had remained broadly stable throughout the analysed period. The number of IPOs shows significant cyclical, reflecting mainly changes in macroeconomic conditions and regulatory adjustments. However, the dynamics of delistings and the evolution of the number of listed companies point to increased rotation. The resulting balance between entry, exit, and the stock of listed companies may suggest that Europe's public markets have evolved into a moderately dynamic system (Demir *et al.*, 2025).

#### **4.4. Recent markets processes and dynamics occurring at the European stock market**

In recent years, several key changes have been observed on the European stock market, driven by structural, regulatory and technological factors. Recent changes include the growing internationalisation of companies, which are increasingly expanding their financial and stock market activities beyond their national borders, as well as the ongoing consolidation of stock exchanges aimed at improving liquidity, harmonising trading infrastructures and increasing global competitiveness. At the same time, the gradual implementation of the Capital Markets Union (CMU) vision has introduced a number of initiatives aimed at deepening financial integration. These processes are changing the institutional landscape of European public capital markets, affecting actions of both issuers and investors.

Financial integration is an important aspect of the EU's economic and monetary union, as it aims to foster a more efficient and stable financial system, promote cross-border investment and capital flows, and enhance economic growth and stability. Financial integration refers to a situation where identical financial assets achieve identical prices in a given area, meaning that there are no valuation distortions resulting from location. In such an environment, investors face harmonised rates of return for comparable instruments, regardless of their location, indicating that capital can flow freely and markets allocate funds efficiently across borders (Bekeart *et al.*, 2019, pp. 75–77; Podkaminer, 2019; Novak *et al.*, 2022).

The literature shows that financial market integration is beneficial for EU Member States (Bekeart *et al.*, 2019, pp. 75–77; Gucciardi, 2022). The studies related to the European market indicate that the regulations adopted by the EU on enhancing cooperation among stock market participants and removing barriers in the market are causing financial integration to deepen, and this is beneficial to Member States (de Haan *et al.*, 2020, p. 102; Gucciardi, 2022). Financial integration contributes to long-term economic growth and to stock market growth in the short term (Mahmood & Rehman, 2019; pp. 506–507; de Haan *et al.*, 2020, p. 195). It is mainly determined by macroeconomic variables and institutional factors (Nardo *et al.*, 2022).

However, there are dissenting opinions regarding the financial integration too (Mahmood & Rehman, 2019, pp. 506–507; Podkaminer, 2019; de Haan *et al.*, 2020, p. 195; Novak *et al.*, 2022). The financial integration facilitate the spread of economic crises (Mahmood & Rehman, 2019, pp. 506–507; de Haan *et al.*, 2020, p. 195; Novak *et al.*, 2022). In addition, as the research conducted by the Association for Financial Markets (AFME) in Europe shows, a visible decline in intra-integration in Europe is noticeable in 2019–2021 followed by its stagnation in 2025. The reasons for this are seen in increased private equity and M&A activity with non-EU entities (AFME, 2025, pp. 38–39). It is seen as a result of the vary level of development of EU Member States. Beck & Stanek (2019) verified if the level of financial integration in EU countries is equal in their research. The results of their research indicate that the level of integration in countries that are members of the European Monetary Union is higher than in Central and Eastern Europe.

Progressive financial integration in EU Member States has created space for new institutional initiatives, including the concept of the CMU. This idea was born after the 2007 crisis, which showed that companies' sourcing of funds to pay for their operations from a single source, such as banks, could have negative consequences for the entire financial system (Fagernäs *et al.*, 2020, p. 5). Jean Claude Juncker, then a candidate for the presidency of the European Commission, first called for the creation of a capital markets union during a speech in 2014. This concept became the subject of a Green Paper published by the European Commission in February 2015, which initiated a debate on the integration of defragmented capital markets of all Member States. Based on an in-depth discussion, the CMU became part of the Investment Plan for Europe, known as the Juncker Plan 2015–2017 (de Haan *et al.*, 2020, pp. 101–102; Heider *et al.*, 2024).

The objectives of the CMU were presented in the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions titled 'Action Plan on Building a Capital Markets Union'. This plan pointed to the following aspects of building a CMU. The most important of the goals was to create an integrated capital market in Europe which would be comparable to the US market (Danko & Suchý, 2021, p. 2). In other word, the idea of the CMU is to establishment of a viable, single EU capital market, in which investors will be able to commit their capital across borders and businesses will raise the necessary funds from a variety of sources, regardless of their location (Mäntysaari, 2021, pp. 397–398).

The CMU plan also included enhancing financing of SMEs to diversify their investments by not relying on the bank financing and enhanced them to invest abroad (European

Court of Auditors, 2020, p. 10; Juutilainen, 2022, p. 1509). It could develop a more diversified financial system that would free up frozen capital in Europe and put it to full use in the economy. The CMU also envisioned increased facilitation of market entry and raise capital on the market. It would enhance investors more options for allocating resources, offering entrepreneurs a wider choice of cheaper forms of raising cash resources (Moloney, 2023, pp. 759–760). The CMU also confronts the problem with long-term financing in Europe and cross-border investment (Valiante, 2019, pp. 25–27; Arampatzi *et al.*, 2025, pp. 41–47). Strengthening the CMU helps to consolidate the EU's international economic position, among others by increasing the role of the euro in the global monetary system and consolidating the EU's unified voice in regulatory negotiations (Arampatzi *et al.*, 2025, pp. 32–33). The experiences of recent socio-political events, such as the Brexit, pandemic COVID-19, the war in Ukraine, have highlighted that without deep integration of capital markets, the Union remains structurally weaker than powers such as the US and China, and that a lack of progress in this area generates measurable economic costs (European Court of Auditors, 2020, p. 9; Bachulska & Leonard, 2023; Moloney, 2023, pp. 85–87; Heider *et al.*, 2024).

There next goal of the CMU is to create more opportunities for intermediaries such as banks or institutional investors. The EC wished to meet intermediaries' expectations in the time of low interest rate, when banks struggled to maintenance the stable level of income. The response for this problem could be the increased use of securitisation what would allow banks to increase amount of income that would come mainly from the turnover of a greater amount of capital (de Haan *et al.*, 2020, p. 101; Juutilainen 2022, p. 1509; Mäntysaari, 2021, pp. 394–395).

The vision of the CMU is also not without its critics and concerns. In the literature it is emphasized that with the construction of the CMU may risk the financial stability in the EU by increasing the involvement of intermediaries (especially banks) in the stock market, i.e. a return to the situation before the 2008 financial crisis (Bavoso, 2021, pp. 9–12; Juutilainen 2021, p. 1520). In addition, there seems to be a legitimate need to first make a number of thorough legal and institutional changes to build a truly effective system (Bavoso, 2021, pp. 15–17; Juutilainen 2022, p. 1520). As for the future shape of the securities market in Europe, countries with weaker bargaining positions may have their concerns. As recent studies indicate, Western European countries, including Germany in particular, have been most influential in building the CMU (Danko & Suchý, 2021, p. 14).

Despite criticism of this assumption, plans over the implementation of the CMU are continuing. According to the information published on the European Commission website, one

of the last significant steps taken is the adoption on 7<sup>th</sup> of December 2022 of a package of three legislative proposals to implement the key tenets of the CMU. Moreover, on March 2025, the European Commission presented a new Savings and Investments Union strategy, which builds on the CMU principles and currently constitutes the main framework for integration activities in the EU capital markets (European Parliament, 2025). Thus, given the advancement of the work, it should be assumed that the CMU will soon turn out to be a reality, and the plans for building the CMU will determine the further shape of the European securities market (Heider *et al.*, 2024; Arampatzi *et al.*, 2025).

Another key factor shaping the European securities market is consolidation, particularly the merging of stock exchanges (Jordan, 2016; Giofré, 2021). Historically, European stock markets have experienced several consolidations, exemplified by the formation of pan-European groups like Euronext, which operate multiple exchanges across countries (Jordan, 2016, pp. 74–79; Kalinowski, 2021, pp. 67–68).

Literature emphasizes its main advantage which is an enhanced market efficiency (Kalinowski, 2021, pp. 66–68). Consolidation can create larger, more integrated markets, increasing liquidity, improving price discovery, and attracting more participants, including investors and issuers (Adamska *et al.*, 2022). It also promotes a unified market structure with standardized trading rules, clearing and settlement systems, and surveillance mechanisms. Moreover, economies of scale from combined operations and infrastructure can reduce costs and transaction fees (Kalinowski, 2021, pp. 67–68). Consolidated exchanges are often better positioned for cross-border investments and global competition, attracting listings, investors, and trading flows (Giofré, 2021).

However, consolidation also carries risks. Integrating exchanges can be complex due to technological, operational, and cultural differences, potentially causing system failures or delays in realizing benefits. Regulatory harmonization may be challenging, and differing standards can create arbitrage opportunities (Adamska *et al.*, 2022). Additionally, while consolidation may intensify international competition, it can reduce competition among domestic exchanges, leading to higher fees, less innovation, and concentration of market power, which may limit market access and diversity (Gomber *et al.*, 2016). The idea may also be difficult to implement due to the presence of so-called home bias (Raposo & Lehmann, 2019, pp. 10–11).

Mentioning the concept of consolidation is important because it highlights the structural transformation of European securities markets and its implications for efficiency, competitiveness, and market access. Proposals to create a single European stock exchange have

been around for a long time (Davis, 1990; McAndrews & Stefanadis, 2005), and the CMU concept described above can be seen as a partial realisation of this idea.

In the context of efforts to create an integrated European market, it is also worth noting the internationalisation of companies, which is another important factor shaping the contemporary landscape of the European stock market. The internationalization of enterprises refers to the process by which companies expand their operations and activities beyond their domestic borders to establish a presence in foreign markets. It involves various strategies and approaches to enter and operate in international markets, with the aim of achieving growth, diversification, and accessing new opportunities. Internationalization is one of the elements of business competitiveness (Stocker & Várkonyi, 2022). The internationalization of entrepreneurs is also related to the appearance of Multinational Corporations (MNCs) (Kim & Kim, 2020, p. 10; Kevin, 2022, p. 13). In the context of the stock market, the internationalization of enterprises refers to companies expanding their presence and participation in foreign stock markets. It involves listing and trading their stocks on stock exchanges outside their home country or attracting foreign investors to trade their stocks on their domestic exchange (Purkayastha & Kumar, 2021).

There are some key aspects of the internationalization of enterprises in the stock market. Companies may choose to cross-list their stocks on foreign stock exchanges in addition to their primary listing on their domestic exchange (Tsang *et al.*, 2022; Macoris *et al.*, 2023). Companies may also issue depository receipts, such as ADRs or GDRs, which represent ownership of their stocks (Mantysaari, 2021, p. 648; Parameswaran, 2022, p. 37). The internationalization of enterprises in the stock market may also mean the attracting and accommodating global investors (Fried & Kamar, 2020; Shao *et al.*, 2025).

It is indicated that foreign listings are becoming an increasingly important aspect of companies' international operations (Tupper *et al.*, 2018), and their importance is growing (Purkayastha & Kumar, 2021; Tsang *et al.*, 2022; Macoris *et al.*, 2023). This raises the question of what the internationalization process of European securities market companies actually looks like. According to the latest data from EY (2025), only about 2 % of all companies originating from the EMEIA region are listed outside their home market. According to the EC (European Commission, 2020, p. 99), the number of foreign listings in Europe is not significant. This trend is particularly concerning given the existence of the EU's single market and the decades of legislation aimed at fostering financial integration. The issue becomes even more significant in light of the objectives of the CMU, which explicitly seeks to deepen market cohesion and facilitate cross-border capital flows. It remains to be seen whether the CMU will effectively

stimulate a meaningful increase in foreign listings on European exchanges. Therefore, the development of the European market faces several potential barriers that can impact its growth and integration.

The other barriers to the development of the stock market in Europe include ineffective and inadequate regulations for its development (Otero, 2021, p. 19). The main problems presented by experts are a failure to adjust certain legal requirements to the size and scale of a given company's activities and to treat all players equally, which is a violation of the principle of proportionality (European Commission *et al.*, 2020, p. 87–89; Hutukka, 2021; Mäntysaari, 2021, p. 376). Harmonizing investor protection standards and strengthening regulatory oversight can help build trust and foster investor confidence in the European market (Macoris *et al.*, 2023). Regulatory measures shall also include promoting market-making activities, enhancing market surveillance, and encouraging participation from institutional investors (Veil, 2022, p. 24). Moreover, while technological advancements offer opportunities for market development, legacy systems shall follow the new needs and risks (Fox *et al.*, 2018, pp. 2–4; Chiu & MacNeil, 2023, pp. 5–6). Addressing the investment in technology infrastructure, cybersecurity measures, and fostering digital inclusion in the legal regulations could harmonize and support the development of the European securities market (European IPO Task Force & Ferreira, 2020, p. 13; Wymeersch, 2025).

Another key obstacle to the development of the European securities market is insufficient liquidity, which undermines investor confidence, limits access to capital and increases transaction costs. A low liquidity particularly affects smaller companies, increasing their financing costs and limiting their fundraising opportunities (Makrominas & Yiannoulis, 2021; Florig & Gossner, 2023, p. 16). A response to this problem could be greater participation in securities issuance by SMEs (Raposo & Lehmann, 2019, pp. 6–8; European Commission, 2020, p. 79; Otero, 2021, p. 8; Arampatzi *et al.*, 2025, pp. 41–47). Companies are often unaware of the possibility of raising capital on public markets, and the culture of participation in the stock market remains weak. The lack of effective tax incentives further discourages SMEs from entering the market (European IPO Task Force & Ferreira, 2020, pp. 33–36; Otero, 2021, pp. 17–19). Furthermore, the prolonged decline in IPO activity has led to a reduction in the number of analysts, advisers and other intermediaries, contributing to the erosion of the European IPO ecosystem (European IPO Task Force & Ferreira, 2020, p. 13).

The development of the European market is hampered by the occurrence of certain events (shocks). As indicated in the literature, the IPO market is affected by significant political or economic events (Sallai *et al.*, 2022). Geopolitical events can create uncertainty and impact

market sentiment in the European market. There have been several such events in recent history that are indicated to have negatively affected the IPO market. These include the 2008 financial crisis (Luchtenberg & Vu, 2015), COVID-19 (Harjoto *et al.*, 2021), Brexit (Moloney, 2023, pp. 899–901), or most recently, Russia's aggression against Ukraine (Bachulska & Leonard, 2023; Heider *et al.*, 2024). The uncertain geopolitical environments can lead to market volatility, reduced investor confidence, and hinder long-term investment planning. Therefore, managing and mitigating geopolitical risks is crucial for the stable development of the European market (Thanh, 2020; Colak *et al.*, 2021; Ellington *et al.*, 2022).

Brexit, i.e. the UK's exit from the EU, was an event that has brought significant changes to the European stock market landscape. The event has extended its impact to the UK itself, causing negative effects on the LSE (Moloney, 2023, pp. 899–901). As an example, Arm, a large British company, abandoned its listing on the LSE and opted to issue securities on the NYSE (Reid, 2023). Brexit also had impact on European stock exchanges. In Brexit timeline, two events were key. First of them was the announcement of the results of the Brexit referendum on 23<sup>rd</sup> of June 2016. And the second one was the finalization of Brexit, i.e. the completion of the procedure for UK's exit from the EU on 31<sup>st</sup> of January 2020 (Fossum & Lord, 2023, p. 1).

In the literature, there are numerous research findings presented relating to the impact of Brexit on specific areas of the financial market, as well as the reforms to be undertaken in the face of it. These include studies on the financial market (Gu & Hibbert, 2021; Ellington *et al.*, 2022), the stock market (Davies & Studnicka, 2018; Gu & Hibbert, 2021; Ren, 2022; Donnelly, 2023; Paterson *et al.*, 2023), or the occurrence of the risk of negative consequences regarding trade (Chen *et al.*, 2018).

As indicated above, studies to date point to the negative impact of Brexit on stock markets in Europe (Davies & Studnicka, 2018; Sowels, 2022; Fadeyi, *et al.*, 2025). Recent financial data shows that IPO activity on the LSE has begun to deteriorate (PwC, 2025a). Brexit has raised questions about the future market structure and integration within the European stock market. The UK's departure from the EU, with its significant financial centre in London, has led to discussions about the redistribution of financial activities and the potential fragmentation of certain markets (Fagernäs *et al.*, 2020, pp. 5–6). The EU's Brexit policy is referred to in the literature as neo-mercantilist (Howarth & Quaglia, 2018; Donnelly, 2023). The authors point out that since Brexit, the EU has been seeking the return of companies from EU countries registered in London to the EU area (Sowels, 2022, p. 125).

Nevertheless, it should be noted that in Brexit many of Europe's financial centres see an opportunity for their development. These centres are competing with each other, fighting

a battle among themselves to gain a dominant position in the EU stock market and achieve the expected benefits (Howarth & Quaglia, 2018; Mäntysaari, 2021, p. 393). The literature points to several stock exchanges that could aspire to achieve a dominant position in the European stock market due to their existing position and the measures they have taken (Ringe, 2019, p. 346; Hall & Heneghan, 2023).

The first of the typified stock exchanges is Euronext. Euronext can claim to be a key European exchange for several reasons. Euronext's position in Europe after Brexit has been characterized by expansion, diversification, and efforts toward market integration (Hall & Heneghan, 2023). By broadening its geographical footprint, maintaining cross-border access, and embracing technological advancements, Euronext has solidified its position as a significant player in the European stock market landscape. Euronext provides a transaction platform *Optiq* for companies to list and raise capital in multiple European markets from July 2018. It offers a range of listing services and supports companies in accessing capital from international investors (Donnelly, 2023, p. 797). This stock exchange is also rapidly expanding its business. After the results of the Brexit referendum were announced, the exchange proceeded to acquire the Lisbon Stock Exchange in October 2020 and, subsequently, Borsa Italiana in Milan in April 2021 (Donnelly, 2023, pp. 797–798).

The second entity aspiring to become a dominant player in Europe is the FSE (Ringe, 2019, p. 346; Fossum & Lord, 2023, p. 277). Brexit has led to discussions about Frankfurt potentially strengthening its position as a financial centre within the EU. Frankfurt is a major financial hub in Europe and home to many financial institutions, including the European Central Bank (EBC), the European insurance and pensions regulator, investment banks and firms. The presence of these institutions, along with the FSE, contributes to the city's role as a financial centre in the European market (Donnelly, 2023, pp. 795–796).

A third stock market likely to play a significant role in the post-Brexit reality is identified as Netherlands (Mäntysaari, 2021, p. 393; Sowels, 2022, p. 125). Netherlands has emerged as one of the primary destinations for such relocations. It has attracted a significant number of trading activities, including equities and derivatives trading, that were previously conducted in London. As Donnelly (2023, pp. 798–799) points out *‘This trading (..) shifted to Amsterdam in January 2021 after the expiration of the transition agreement and the EU’s decision not to grant equivalency status, much to the disappointment of the UK’s Financial Conduct Authority. All in all, 6.5 billion euros in trading daily shifted from London to Amsterdam, taking the city’s total to 9.2 billion. London figures dropped from 17.5 billion to 8.7 billion per day. These figures are exclusive of trading elsewhere, particularly in Frankfurt and Paris’*.

Ireland is identified as the fourth destination that could play a significant role in the post-Brexit reality (Hall & Heneghan, 2023). Dublin's proximity to London and its historical connections with the UK financial industry make it an attractive alternative for companies seeking to establish a presence outside of London after Brexit. Dublin can provide a smooth transition for firms looking to relocate or establish subsidiaries, maintaining continuity in their European operations. Moreover, Ireland has a strong international financial services sector, including investment banks, fund administrators, custodian banks, and other financial institutions (Donnelly, 2023, pp. 799–800). There is also a well-regulated financial system and follows EU regulations and standards.

Despite the UK's departure from the EU, the LSE remains one of the largest and most important stock exchanges in Europe (Sowels, 2022, pp. 127–128). However, studies and market data show reduced trading activity, suggesting increased investor caution and a shift of some transactions to other European markets in the post-Brexit environment (Fadeyi *et al.*, 2025; PwC, 2025a). As insufficient time has passed, the long-term impact of Brexit still needs to be fully assessed.

#### **4.5. Summary**

European stock exchanges have been undergoing continuous transformation due to the evolving economic environment, technological innovations, regulatory reforms, and increasing market integration. Since the mid-20th century, securities markets across Europe have experienced profound changes, largely driven by globalization, European integration, the liberalization of capital flows, and advances in technology. A major step toward the full integration of these markets was the introduction of the euro and its gradual adoption by specific EU Member States. The common currency has facilitated more efficient allocation of capital among market participants. Additionally, various regulatory reforms have played a key role in shaping the structure and functioning of European stock markets.

The EU securities law allows the application of uniform solutions across the European Community, facilitating closer integration of these markets. The introduction of new legislation since late 1970s was one of the factors that fostered European integration and drove the development of the securities market. The implementation of the MiFID in 2007 and its subsequent revision in 2018 (the MiFID II) aimed to enhance the harmonisation of trading rules, transparency, facilitated cross-border access, and competition in European financial markets. The importance of legal regulations can also be seen in the context of protecting market participants. Market surveillance mechanisms, financial reporting requirements, disclosure

standards and obligations towards institutional and individual investors increase market transparency and strengthen investor confidence. These regulations also influence market structure. For example, capital requirements for investment firms or requirements regarding IPO prospectus preparation shape market participants' strategies and trading dynamics. Therefore, stock exchange law in Europe not only protects the interests of investors, but also supports market development by ensuring the stability and predictability of financial mechanisms.

These regulatory reforms have significantly impacted the structure and operations of European stock exchanges. The next planned step is a transformation of national securities markets into a single integrated market constituting the CMU. In today's global economy, a well-organized and efficiently functioning stock market is essential for fostering economic growth and for building an economy capable of competing with the world's leading financial centres. Moreover, such integration is expected to support innovation, provide better access to financing for enterprises of all sizes, and reduce the fragmentation that has historically limited the full potential of Europe's capital markets.

An analysis of the evolution of the number of listed companies and the IPOs shows that the European capital market is characterised by diversity in terms of size and growth dynamics in individual countries. The number of IPOs on major European stock exchanges has fluctuated significantly over the last decade, reflecting changing of investor sentiment and macro-economic conditions in individual countries. There is also a diversity in terms of development of stock exchanges. An analysis of statistical data on the number of companies listed on major European stock exchanges and IPO market dynamics indicates that the European capital market is not uniform.

The stock exchanges in London, Frankfurt and Paris play a leading role, while smaller regional markets are developing gradually, benefiting from the effects of integration and harmonisation of regulations. These changes indicate that the European stock market is evolving towards greater maturity, liquidity and competitiveness on a global scale. The origins of this can be traced to historical background. At the time of the formation of the common market in Europe, Europe had stock exchanges only in the largest countries (e.g., Germany, the UK, France, Spain, Italy). In post-communist countries, stock exchanges did not function during this period (e.g., Poland, Czech Republic). Some of them were established only after the establishment of countries in the late 20th and early 21st centuries (e.g., Montenegro, Ukraine).

It seems that, in the long term, the further development of the European capital market will depend on its ability to adapt to new technological, regulatory and economic challenges.

In particular, further integration of European markets, adaptation of regulations to the digitisation of trading and the growing importance of fintech, as well as maintaining a balance between supporting local markets and strengthening global competitiveness will be of particular importance. The data and observations collected indicate that the European stock market is evolving towards a more integrated and mature structure, which increasingly enables the efficient allocation of capital, increases the transparency and security of investments, and enhances Europe's competitiveness in the global economy.

## CHAPTER 5

### Chinese companies as issuers on European stock exchanges

#### 5.1. Characteristics of China–Europe stock market links

The presence of Chinese companies on European stock exchanges has a relatively short history. The first company listed on the European main market was Beijing Datang Power Generation, which went public on the LSE in March 1997 (Chan, 2005; Zuo, 2007). Bearing in mind that the first Chinese company to be listed on the international stock market was Jinbei Light Passenger Vehicle, which completed its IPO on the NYSE in 1992 (Walter & Howie, 2006, p. 2), it may be said that London was one of the initial targets for the international expansion of Chinese companies.

The appearance of Chinese companies on the European stock exchanges other than LSE occurred relatively late. The first Chinese company debuted on FSE as late as mid-2007. This company was Gongyou Machines Limited, which was a Singapore-registered company, however, it was classified as Chinese due to conducting its business in China (Hawser, 2007; Liu, 2014, p. 26). In the same year, another Chinese company completed its IPO in Paris. That company was Lionax International Investment Holdings Ltd (now: Bjh Group Investments Holdings Limited), which entered Euronext Access through a direct listing (Cowie, 2006). On other European exchanges, Chinese companies appeared even later. In Central and Eastern part of Europe, the first company listed on a regulated market was Peixin, debuting on the Warsaw Stock Exchange (WSE) in 2013.

Conducting the IPO by Chinese companies on European stock exchanges was the culmination of a series of diplomatic efforts and prior negotiations at the political level. Initial developments that helped to launch the presence of Chinese companies on those stock markets included the signing of the first major MoU by the LSE with the SSE in 1994, which opened the door to further cooperation. Subsequent agreements extending this cooperation were signed successively in 1998 and in 2004 (LSEG, 2023). Another key step was the conclusion of an agreement with the CSRC in 1996. This agreement was important as it enabled Chinese shares to be listed on the LSE for the first time (UK Parliament, 2005). These strategic agreements laid the foundation for the development of the relationship between the UK and Chinese capital markets, contributing to the further growing presence of Chinese companies on stock exchanges in the world.

Historically, the LSE has sought to attract the largest number of Chinese companies. This is evidenced, among other things, by the Memorandum submitted by the LSE to British Parliament in 18 January 2005 (UK Parliament, 2005), which stated that ‘*China is a key market for the London Stock Exchange and is one of our target markets*’. The LSE has actively engaged with China through high-level visits, conferences, and the opening of an office in Hong Kong, aiming to strengthen relationships with Chinese government bodies, businesses, and regulatory authorities. Additionally, the LSE’s Training Services Division had focused on China, providing financial market training and consulting services, particularly in collaboration with the SZSE (UK Parliament, 2005). Among the activities undertaken by the LSE to attract Chinese companies was the translation of the stock exchange's website, or regulatory texts, into Chinese (Liu, 2014, p. 26).

The listing of Chinese companies has also been a target of the FSE management. The FSE ran a marketing campaign in China encouraging Chinese companies to list in Germany (Reuters, 2014). In 2013, the Association of publicly listed Chinese companies in Germany was established. Its aim was to strengthen cooperation between the two countries and improve the reputation of Chinese companies among European investors (Zhongde Waste Technology, 2014). Currently, the companies are organised as a non-profit association called Association of Chinese Companies Frankfurt e.V.

However, efforts to strengthen cooperation with Chinese entities have not always been consistent, due to events that have undermined confidence in Chinese companies in Europe. One of the most publicised cases was the Ultrasonic scandal, in which the company's share price collapsed after the owner and his son disappeared with USD 60 million (Taylor *et al.*, 2014). Another example was the Youbisheng Green Paper case, which initiated bankruptcy proceedings that were only concluded after several years (Reuters, 2017). These experiences show that despite institutional efforts to strengthen cooperation, the reputation of Chinese companies on European capital markets remains an issue that requires constant rebuilding and monitoring.

Alongside the appearance of Chinese companies on European stock exchanges, an increasing number of formal agreements between European and Chinese stock exchanges can be observed. These programmes aim to strengthen the links between Mainland China and global stock markets (Yang *et al.*, 2019). In the history of China's stock exchanges, the first such agreement was between the Shanghai and London stock exchanges, followed by similar programmes with many other stock exchanges around the world (SSE, 2025a).

One form of cooperation between Chinese and European stock exchanges is a conclusion of the Memorandums of Understanding (MoUs). The purpose of these agreements is to establish a formal framework for collaboration, facilitating cross-border trading, investment opportunities, and the exchange of expertise. These are general agreements that provide a basis to enhance cooperation in areas such as market access, regulatory alignment, and the listing of securities by promoting the integration of financial markets between China and Europe (SSE, 2025a). A summary of conclusion of MoUs is presented in Table 5.1.

Table 5.1. List of Memorandums of Understanding (MoUs) signed by SSE and SZSE with European stock exchanges

Country	Stock exchange	SSE	SZSE
UK	LSE	Mar. 1994	Feb. 2023
		Oct. 1998	
		Jan. 2004	
Austria	Vienna Stock Exchange	Sept. 2004	May 2024
Germany	Deutsche Borse	Nov. 2004	Sept. 2004
			May 2008
			Nov. 2024
Italy	Borsa Italiana	Jun. 2005	Jun. 2005
Sweden*	OMX	Sept. 2005	Oct. 2007
Luxembourg	Luxembourg Stock Exchange	Sept. 2006	Sept. 2013
		Sept. 2017	Sept. 2018
Netherlands*	Euronext	Sept. 2006	May 2015
		Oct. 2018	
Malta	Malta Stock Exchange	Oct. 2008	-
Ireland	Irish Stock Exchange	Nov. 2014	-
Switzerland	SIX Swiss Exchange	Jun. 2015	Oct. 2019
		Apr. 2019	
Greece	Athens Exchange Group	Jan. 2015	Apr. 2016
Hungary	Budapest Stock Exchange	May 2018	Sept. 2019
Belarus	Belarusian Stock Exchange	Dec. 2018	Jun. 2019
Serbia	Belgrade Stock Exchange	Jan. 2021	-
Poland	Warsaw Stock Exchange	-	Oct. 2018

Note: For exchanges marked with an asterisk (\*), the corresponding European countries are indicated. Some exchange names may be outdated due to the dates on which the MoUs were signed.

Source: own elaboration based on SSE. (2025a). *International cooperation. Shanghai Stock Exchange*. <https://english.sse.com.cn/aboutsse/internationalization/cooperation/> (access as of 15.11.2025) and SZSE. (2025c). *Shenzhen Stock Exchange*. <https://www.szse.cn/English/> (access as of 15.11.2025).

As indicated in Table 5.1, cooperation between Chinese exchanges and European exchanges counts for more than 30 years. Each of the Chinese exchanges has several such agreements with various exchanges of European countries. The MoUs provide the basis for expanding cooperation between exchanges. This expansion applies in particular to exchanges such as the LSE, SIX Swiss, Luxembourg Stock Exchange and FSE.

However, one of the most advanced forms of cooperation between European and Chinese stock exchanges are stock connect programmes. These programmes enable investors from different jurisdictions to access the stock market without the need to physically transfer listings or create secondary listings (Huang, 2023, pp. 32–33; Yao *et al.*, 2024). This cooperation involves the establishment of stock exchange links between different stock exchanges. This is a trend that has emerged in recent years. Given the gradual expansion of this type of cooperation to other European countries, the following cases deserve further attention. A comparative overview of the three currently existing links between Chinese and European stock exchanges is presented in Table 5.2.

The first such programme has been set up with the UK's stock exchange and is named as the London-Shanghai Stock Connect. It is a cross-border trading system enabling firms listed on both the LSE and the SSE to issue, trade and settle shares for each other's market. This programme promotes more Chinese companies' access to European investors and vice versa thus plays a role in deeper financial integration between UK and China. Chinese firms listed on SSE are provided with GDRs thereby making them tradable on LSE through this system. Companies listed at LSE may also issue Chinese Depositary Receipts (CDRs) for trading on SSE. The wider purpose of such a platform is to globalize China's capital markets while presenting international investors with new opportunities to invest in Chinese companies (Huang, 2023, pp. 42–45).

According to information disclosed on the LSE website, there are currently six companies listed on the London-Shanghai Stock Connect: Huatai Securities, China Pacific Insurance (Group), China Yangtze Power, SDIC Power Holdings, Ming Yang Smart Energy Group, Zhejiang Yongtai Technology. This number may be seen as unimpressive given the involvement of both parties, which is met with criticism (Pham, 2024). Given the UK government's first estimate in June 2019, 260 Chinese entities would be eligible for such an arrangement (HM Treasury, 2019). Despite many efforts to promote this initiative, e.g. through the signing of an agreement between China and the UK in early 2023 (LSEG, 2023), no European company has so far taken advantage of the opportunity to issue CDRs on the SSE (Huang, 2023, pp. 42–43; Pham, 2024).

Table 5.2. Comparison of stock connect programmes concluded between Chinese and European stock exchanges

Criteria	London-Shanghai	China-Germany	China-Switzerland
Date of establishment	17.06.2019	11.02.2022	28.07.2022
Exchanges/participants	SSE, LSE	Deutsche Börse Group, CFFEX, SSE,	SZSE, SSE, SIX Swiss
Products	GDR, CDR	GDR, D-shares, bonds, ETF/ETP, ETF Derivatives, CDR	GDR, CDR
No. of Chinese companies on the European stock exchanges	6	44 spot products including 1 stock, 16 ETFs, and 27 bonds	17
No. of European companies on Chinese exchanges	0	n.d.	0

Note: all data remained valid as of 02.12.2025 with the exception of the information on China Europe International Exchange AG (CEINEX), which is reported as of the end of June 2019 due to the absence of more recent data.

Source: own elaboration based on LSE (2025a). London Stock Exchange Stock Connect. *London Stock Exchange*. <https://www.londonstockexchange.com/raise-finance/equity/london-stock-connect> (access as of 15.11.2025), CEINEX (2025). *Global Depositary Receipt*, <https://www.ceinex.com/products/gdr.html> (access as of 15.11.2025), SIX (2022). *China-Switzerland stock connect: Enhancing access to capital and opportunity*. Swiss SIX. <https://www.six-group.com/en/newsroom/news/the-swiss-stock-exchange/2022/stock-connect-gdrs.html>, (access as of 11.12.2022), SSE. (2025a). *International cooperation*. Shanghai Stock Exchange. <https://english.sse.com.cn/aboutsse/internationalization/cooperation/> (access as of 15.11.2025).

Analysing the links between Chinese and German stock exchanges, it is important to point out that the history of links between them dates back to 2015, when China Europe International Exchange AG (CEINEX) was established. It is a joint venture created by the Deutsche Börse Group, the China Financial Futures Exchange (CFFEX), and the Shanghai Stock Exchange (SSE). The entity operates in Frankfurt, relying on the technological and organisational infrastructure of the Deutsche Börse Group. At the same time, its strategic orientation reflects the long-term development priorities of the Chinese partners, particularly in the area of expanding cross-border investment opportunities (CEINEX, 2025). Among others, thanks to this cooperation, on 24 October 2018, the Chinese company Qingdao Haier listed on the German stock exchange for the first time, opening the D-share market in Europe (SSE, 2025a).

The association of CEINEX was expanded in 2022, when the China-Germany Stock Connect scheme was established. Under this programme it is possible to offer GDRs on the FSE by Chinese companies listed on SSE and SZSE (CEINEX, 2022). The range of products offered is broader than the London-Shanghai Connect (see Table 5.2). The literature highlights

that CEINEX primary purpose is to strengthen Chinese-German financial ties and support state policies rather than generate profit, reflecting a state-capitalist approach (Petry, 2021). Moreover, on 24 November 2024, the MoU has been signed between SZSE and Deutsche Börse which is aimed to strengthen the cooperation regarding the trading of the depository receipt.

The historically youngest stock exchange connection is the China-Switzerland Stock Connect. The *modus operandi* of this programme is similar to those previously described (SIX, 2022). However, it may be wondered why China decided to locate this link with Switzerland. The arguments for this type of cooperation could have been the country's stable economic and political situation, as well as effective legislation. It is also a country that has historically maintained its unilateral position in Europe. Moreover, the Switzerland's reputation shall be also emphasised as it is a country that pays particular attention to the security and confidentiality of financial information (Xu *et al.*, 2024b). An additional factor that may influence listing decisions is the growing uncertainty regarding the ability of Chinese firms to comply with increasingly stringent regulatory requirements imposed by US stock exchanges (Kawase & Wong, 2023).

Despite considerable enthusiasm for this programme, as with similar schemes, it cannot be considered as fully satisfactory. In December 2023, the last company decided to issue a GDR on the SIX Swiss Exchange (SIX, 2025). Furthermore, trading volumes for Chinese securities on the exchange remain disappointingly low, highlighting ongoing challenges in market engagement (Kawase & Wong, 2023).

In general, when assessing the stock exchange linkages outlined above, it is important to note that all of them operate on the basis of prior governmental approval, which underscores their vulnerability to political and regulatory shifts. The political significance of these links between exchanges is evidenced, e.g. by an event in early 2020 that created much confusion in Sino-British relations and resonated in the media. On 2 January 2020, the media reported that China had halted the London-Shanghai Stock Connect due to the UK government's support for protests in Hong Kong. This information was quickly debunked, but nevertheless echoed negatively in stock market news (Bloomberg, 2020; Yu *et al.*, 2020).

Despite notable criticism of these programmes, as well as unfulfilled expectations of their performance, the literature points to the positive impact of the existence of these interconnections on stock markets (Yang *et al.*, 2019; Huang, 2023, pp. 205–208; Yao *et al.*, 2024). As previous studies indicate, China and the UK stock markets become more interdependent and cease the spread of financial risk due to the emergence of this interconnection (Yang *et al.*, 2019; Yao *et al.*, 2024).

In addition to the aforementioned agreements, it is also worth noting other initiatives concerning debt securities. These include the partnership between the Luxembourg Stock Exchange (LUXSE) and SSE and SZSE. Over the more than 35 years of this partnership, more than 200 entities have been issuing bonds in renminbi on the LUXSE. According to the International Capital Market Association report on Asian international bond markets, LUXSE was the leading exchange outside Asia for listing bonds issued by Asian entities in 2023 (LUXSE, 2025). Luxembourg is also crucial for China in terms of other financial links. Since 1979, when the Bank of China opened its first overseas branch there, the country has become an important access point for Chinese financial institutions to the EU market. Today, seven of the largest Chinese banks have located their European headquarters there, enabling cross-border investment and financial services between Europe and China (Luxembourg for Finance, 2024).

In discussing additional connections between European and Chinese exchanges, the Global Equity Segment (GES) at the LSE is noteworthy. GES enables international investors to trade shares of globally recognized companies, listed on major exchanges outside the UK, during London trading hours. This platform offers access to a broad range of global securities within the LSE's regulatory framework and supports trading in multiple currencies, enhancing accessibility and flexibility for investors (LSE, 2025c).

Research indicates that these linkages facilitate Chinese companies' entry into the European financial market. In turn, European firms have the opportunity to offer their securities internationally, however, this potential remains untapped for now (Yang *et al.*, 2019; Yao *et al.*, 2024). Considering the existing partnerships and cross-market integrations, it is likely that even more advanced forms of collaboration between exchanges will emerge, fostering closer cooperation. Following the May 2024 meeting between the vice-chairman of CSRC and global fund managers in London and Paris, which gained international media attention (Bloomberg, 2024; Reuters, 2024), illustrates that such enhanced cooperative frameworks may soon materialize. An additional indication of the deepening engagement between European and Chinese markets is the announcement issued following the Shanghai Stock Exchange Global Investors Conference 2025, held on 12 November in Shanghai. During this event, CSRC representatives once again emphasized their commitment to further opening China's capital market to global investors (SSE, 2025b; SSE, 2025c).

## **5.2. Analysis of the presence of Chinese companies on European stock markets**

### **5.2.1. The identification of Chinese companies listed on stock exchanges in Europe**

In recent years, European capital markets have become one of the significant directions of foreign expansion for Chinese companies, as part of a broader process of internationalisation and geographical diversification of financing sources. The growing number of Chinese companies deciding to establish a presence in Europe demonstrates the increasing importance of this region. This section of the thesis presents in detail the scale and nature of this presence. The analysis covers listings of Chinese issuers on individual European markets, as well as their sectoral diversity and the value of capital raised. The aim of this analysis is to identify the scale of presence of these companies and to provide a characteristic of this group of entities.

This stage of the research involved the development of an original database comprising detailed information on Chinese companies listed across all regulated markets in Europe. Importantly, no public or private institution provides consolidated data on the activity of Chinese firms in the context of European IPOs. Consequently, a dedicated dataset was constructed to capture all essential dimensions of the presence and characteristics of Chinese companies operating within European stock exchanges.

This analysis covers the main and alternative markets of these exchanges. The inclusion of both market segments allows for a comprehensive assessment of Chinese companies' listing strategies depending on their specific characteristics, size, as well as capital raising strategies. Thus, this thesis offers a complete picture of Chinese companies' presence in European capital markets and the dynamics of their activities, including delisting decisions, which can reflect changing market and regulatory conditions as well as the strategic decisions of these companies.

The verification of European stock markets in terms of presence of Chinese companies was conducted regarding two types of these securities: ordinary shares and GDRs. Referring to the geographical area, new listings in all regulated markets in Europe were analysed to identify Chinese companies. Specifically, as a new listings were considered IPO, introduction to new market, transfer from one market to another, reverse merger and dual listing.

Collection of data for this study was mainly performed using the LSEG Workspace (former: Refinitiv Eikon) and Orbis databases, which were the primary sources of information. To ensure the accuracy and completeness of the data, the process was supplemented with additional sources such as information available on the official websites of particular stock exchanges, articles from the press and other reliable sources available online.

The identification of Chinese companies going public on European stock exchanges was performed for 2001–2023. This research perspective of more than 20 years provides

a comprehensive and meticulous picture of the market presence of Chinese companies and demonstrates the long-term linkages between the European market and Chinese companies.

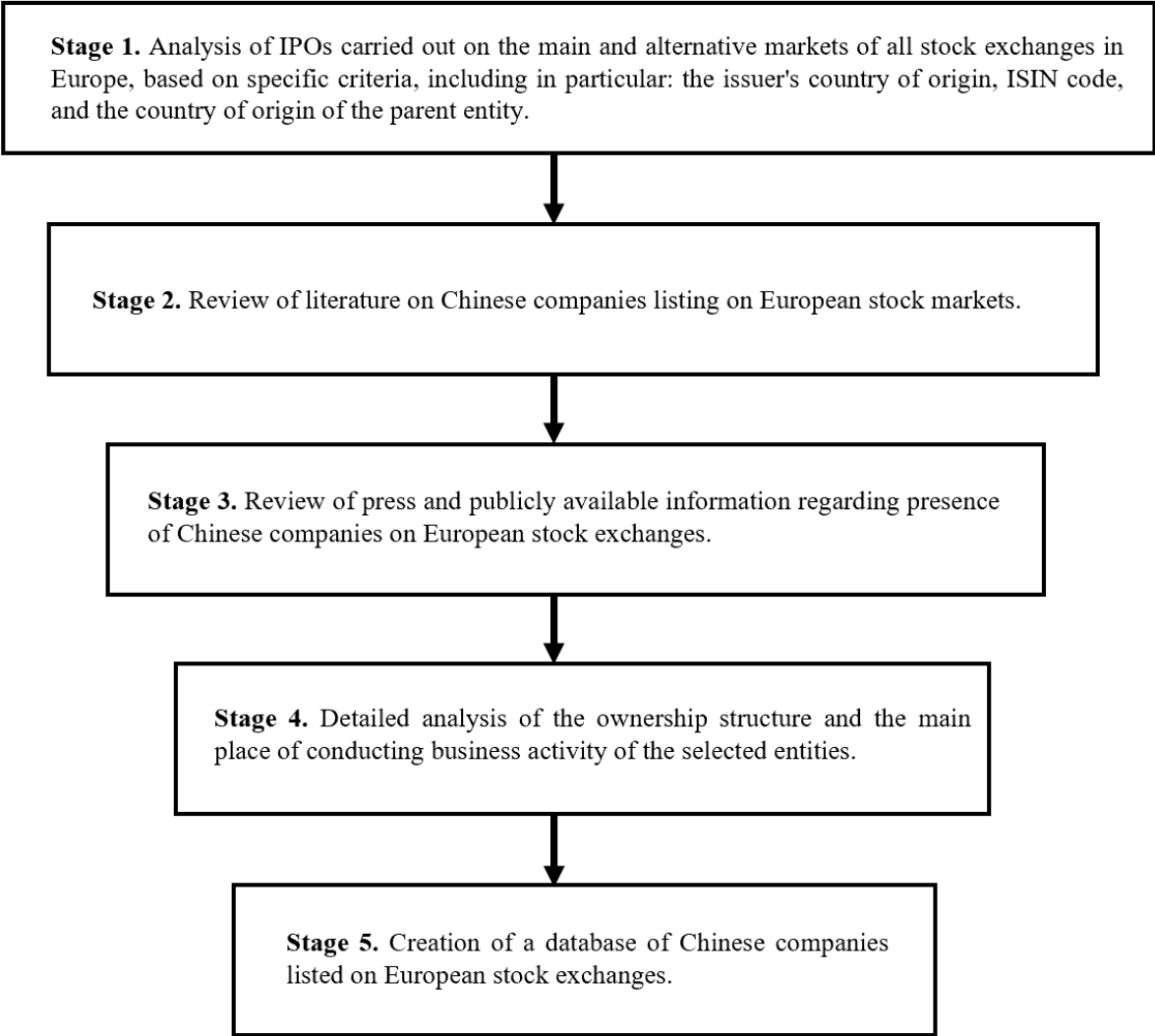
In defining this research period, two key events from 2001 were considered. The first was the joining of China to the WTO. As explained in Chapter 3.1.2, this event was significant in terms of the liberalisation of the Chinese economy and its opening to international markets. It is widely reported in the literature as opening up the Chinese economy to international capital markets, increasing foreign investment inflows and facilitating Chinese firms' access to global financial markets (Economy, 2019, p. 103; Du & Kong, 2020; Kroeber, 2020, p. 275).

The second event which is seen as the significant step forward the internationalization of Chinese companies and the commencement of opening of the Chinese stock market was China's adoption of a new Five-Year Plan, in which the Go Out Strategy was introduced. This strategy entailed the government actively supporting Chinese companies to expand into foreign markets (Zámborský *et al.*, 2023, p. 100). In the context of these events, the period from 2001 onwards can be regarded as the beginning of a new era in the history of the Chinese economy, characterised by the dynamic overseas expansion of Chinese companies. These developments are often cited as key factors that have triggered the globalisation of Chinese companies, as well as their increasing presence in foreign capital markets (Lombardi & Malkin, 2017, p. 12).

The data collection for the study was a multi-stage process. Each phase of the process involved the use of distinct sources and verification techniques, allowing for the systematic identification of Chinese companies listed on European regulated markets. The sequential steps of this procedure are illustrated in Chart 5.1.

In the first stage, an analysis of IPOs conducted on both the main and alternative markets of all European stock exchanges was carried out. The data were obtained from the LSEG Workspace database as well as directly from the websites of European stock exchanges. This stage involved the application of specific selection criteria, in particular: the issuer's country of origin, ISIN code, and the home country of the parent company. Once all listing markets were identified, the individual Reuters Instrument Code (RIC) assigned to each listing was retrieved. The RICs, which are unique codes assigned by LSEG Workspace for each financial instrument, enabled the retrieval of detailed data on the Chinese companies. Moreover, in this stage, the verification and supplementation of the data with additional information were performed. In cases where LSEG Workspace did not provide complete information on a given company, the missing data was sourced from the Orbis database, stock exchange databases and other reliable sources. This approach allowed for the accurate identification of all company listing locations and the elimination of any inaccuracies or gaps in the originally collected data.

Chart 5.1. Stages of identification of Chinese companies listed in Europe



Source: own elaboration.

The second stage consisted of a systematic review of the academic literature concerning Chinese companies listed on European capital markets. The analysis embraced a various reliable sources regarding Chinese companies going public overseas. Based on the information provided by authors, the further verification was conducted to confirm the accuracy of the identified entities and to ensure that their classifications, ownership structures, and listing histories aligned with the criteria adopted in this research.

Nevertheless, this analysis concerned also the inclusion criteria of Chinese companies. The activity of Chinese companies in the form of IPOs on international stock exchanges has been the subject of several studies. Table 5.3 presents the list of identified papers regarding presence of Chinese companies on European stock exchanges.

Table 5.3. Research on Chinese companies issuing securities in European markets

Author	Year of paper	Research period	Stock market	Market segment	No. of firms	Inclusion criteria	Source of data
Zhang & King	2010	1993–2005	London	AIM	No data	– exclusion of Hong Kong	China Stock Market & Accounting Research Database (CSMAR) Worldscope
Liu	2014	1990–2012	London	Main Market	5	not provided	Not provided
				AIM	46		
			Frankfurt	FSE	31		
Pan & Brooker	2014	1991–2011	London	Main Market	7	– generation of revenues in Mainland China – the major shareholders come from mainland China – exclusion of Hong Kong and Taiwan	Bloomberg, Wind Financial Terminal (Wind), Zero2IPO, stock exchanges websites
				AIM	81		
			Frankfurt	FSE	39		
Xu	2014	Until 2013	Frankfurt	FSE	24	– generation of revenues in Mainland China – the major shareholders come from mainland China – exclusion of Hong Kong	Bloomberg, stock exchanges websites
			London	AIM	43		
Liu <i>et al.</i>	2017	2001–2012	London	AIM	34	not provided	LSE website, Datastream
Feng <i>et al.</i>	2024	2000–2023	London	No data	60	– generation of revenues in Mainland China – incorporated in Mainland China – HQ in Mainland China – the major shareholders come from Mainland China – exclusion of Hong Kong	Wind, CSMAR

Source: own elaboration.

When analysing the above-mentioned studies in general terms, it should be noted that most of them focus on the broadly understood activity of Chinese companies. These studies examine the presence of these entities on major international stock exchanges, typically

focusing on the US and Hong Kong, while also addressing selected European financial centres such as London and Frankfurt (Liu, 2014; Pan & Brooker, 2014). Some analyses concentrate on only one of these markets, offering more detailed yet geographically limited insights (Zhang & King, 2010; Feng *et al.*, 2024). Notably, Xu (2015) provides the only study devoted exclusively to European stock exchanges, however, its geographical scope remains restricted to just two marketplaces, i.e. London and Frankfurt. However, none of these studies comprehensively addresses the topic of presence of Chinese companies on the European stock market. Thus, the broad landscape of Chinese listings in Europe remains largely unexplored.

Moreover, in terms of the data source, authors mostly used the following databases when collecting data on companies: Wind Financial Terminal, CSMAR, Bloomberg, Datastream, Dialague. None of the previous studies used the Orbis database as a data source. The analysis of the literature highlights a significant gap in the existing literature regarding comprehensive studies on listings of Chinese companies in Europe.

In the third stage, a review of press and publicly available sources was conducted to supplement and verify information on Chinese companies potentially operating on European stock exchanges. This step facilitated the identification of additional entities not captured through database queries alone.

The fourth stage involved a detailed examination of the ownership structures and primary business locations of the companies identified earlier. This analysis was performed using data retrieved from LSEG Workspace and the Orbis database.

Finally, in the fifth stage, a comprehensive database of Chinese companies listed on European stock exchanges was constructed. This dataset served as the basis for subsequent empirical analysis presented in this thesis.

Based on a review of the literature, an author's definition of a Chinese company listed on the European stock market has been developed. A company is considered Chinese if it meets at least one of the following criteria:

- country of incorporation is Mainland China,
- country of headquarter (HQ) is Mainland China,
- ownership links, i.e. at least 10% of the companies' shares are owned by an entity from Mainland China, or the company belongs to a group of companies from Mainland China, or the Ultimate Beneficial Owner (UBO) is Chinese,
- conduct business operations in China and the companies recognise China as a key place of operations or receive the main source of revenues of their business.

The adoption of a 10% share in the ownership structure results from the standards applied in the analysis of FDI. This level is considered to be the threshold above which an investor can be considered to have a significant influence on the company's operations, including the right to participate in management and make key strategic decisions. In practice, this means that an investment exceeding a 10% stake is treated as a long-term investment, aimed not only at generating financial profit, but also at actively participating in the company's operations (Buckley & Voss, 2020; Kim, 2023).

When compiling the database of Chinese companies, several exclusions were made. First of all, companies whose at least 10% of ownership is held by Chinese entities, but the acquisition of this ownership took place after the listing, were not included. Following other authors (Zhang & King, 2010; Pan & Brooker, 2014; Xu, 2014; Feng *et al.*, 2024) in this thesis excluded companies whose country of incorporation was Hong Kong. Despite being one country, there are two different political and economic conditions. As explained in Chapter 3 of this thesis, the relationship between Mainland China and Hong Kong is described in the literature as one country, two systems. Companies from Taiwan were also not included in the study due to its claimed separateness (Pan & Brooker, 2014, p. 4).

Thanks to the adopted criteria, it became possible to conduct a cross-sectional analysis of the presence of Chinese companies on European stock exchanges, the results of which are presented in the following sections of this chapter. The database of entities constructed in this way provides a solid basis for further empirical analyses and in-depth research on the activity of Chinese issuers in Europe.

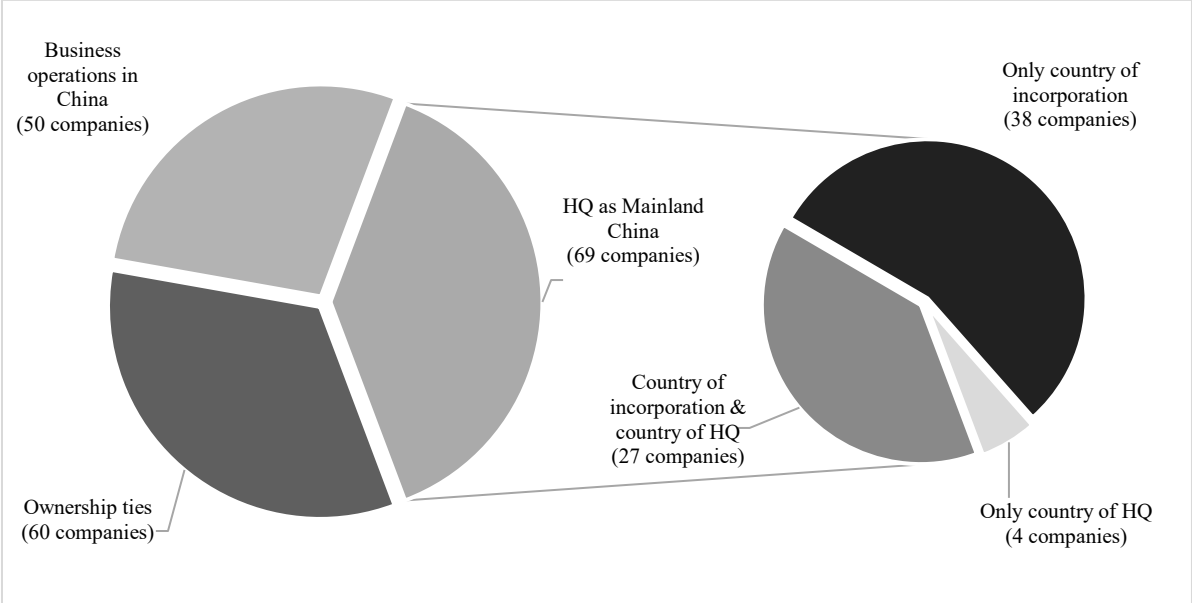
### **5.2.2. Characteristic of stock exchanges listing Chinese companies**

This section provides an overview of the scale of Chinese companies' presence in the European stock market. The analysis is conducted based on the identified companies collected according to the criteria described in the previous section. The analysis focuses on presenting the scale of the presence of Chinese companies on selected stock exchanges.

In this study 179 companies were identified which decided to go public on stock exchanges in Europe. These companies can be divided into 3 groups (see Chart 5.2). The first group includes 69 companies whose country of incorporation or HQ is Mainland China. Within this group, in 27 companies the country of incorporation and the country of HQ were the same, in 38 companies Mainland China was only the country of incorporation, and in 4 cases only the country of HQ. The second group of companies has 60 companies and was identified by

ownership ties. The last group has 50 companies and these are companies that have operations in China.

Chart 5.2. Categorisation of companies according to group affiliation



Source: own elaboration.

Starting with an analysis of stock exchanges, Table 5.4 presents the aggregated number of Chinese companies that have conducted IPOs on individual European exchanges, along with information on subsequent delisting. These companies were selected based on the criteria described above. As Europe has not been a predominant destination for Chinese companies since the beginning (the expansion of Chinese companies is mainly in the US, Hong Kong and Singapore markets), the first Chinese company in the study period was identified in 2002. Stock market data shows that to date, the largest number of Chinese companies have been listed in London and Frankfurt, confirming the importance of these markets as key centres for Chinese companies in Europe (Pan & Brooker, 2014; Xu, 2014, Liu *et al.*, 2017). London and Frankfurt may attract Chinese companies due to their status as some of the largest financial centres in Europe, offering broad access to capital, a diverse international investor base, and established financial infrastructure. Additionally, the SIX Swiss Exchange has recently seen an uptick in GDRs issuances, marking its growing relevance as a destination for Chinese firms seeking European listings. In comparison, other European exchanges play a relatively minor role in attracting Chinese companies, with their presence on these platforms being more episodic and thus less impactful in the broader European market landscape.

Table 5.4. Accumulated number of listing of Chinese companies in Europe

No.	Stock exchange	Market	Segment	Issue type	No. of companies	No. of delistings	% of delistings	
1	LSE	–	Total	Total	<b>79</b>	<b>64</b>	<b>81%</b>	
			International Main Market / Main Market	Total	<b>12</b>	<b>2</b>	<b>17%</b>	
				GDR	6	0	0%	
				New company placing	6	2	33%	
			AIM	Total	<b>67</b>	<b>62</b>	<b>93%</b>	
				GDR	1	0	0%	
				Introduction	7	6	86%	
				New company placing	56	53	95%	
Reverse takeover	3	3	100%					
2	Germany (all markets)	–	Total	Total	<b>58</b>	<b>46</b>	<b>79%</b>	
			Boerse Berlin	Total	Total	<b>10</b>	<b>8</b>	<b>80%</b>
	Prime Standard	New company placing		5	3	60%		
	Entry Standard	New company placing		3	3	100%		
	Boerse Stuttgart	–	First Quotation Board	New company placing	2	2	<b>100%</b>	
			FSE	–	Total	Total	<b>46</b>	<b>36</b>
	Prime Standard	New company placing			17	11	65%	
	General Standard	Dual listing			2	2	100%	
		New company placing			4	2	50%	
	First Quotation Board	New company placing			16	16	100%	
	Entry Standard	New company placing	7	5	71%			
	3	Euronext	Total	Total	Total	<b>17</b>	<b>9</b>	<b>53%</b>
			Paris	Total	Total	<b>14</b>	<b>8</b>	<b>57%</b>
				Main Market	New company placing	4	1	25%
Euronext Access				New company placing	7	5	71%	
Euronext Growth				New company placing	3	2	67%	
Milan			Main Market	Total	<b>2</b>	<b>0</b>	<b>0%</b>	
				Dual listing	1	0	0%	
				New company placing	1	0	0%	
Brussels	Main Market	New company placing	<b>1</b>	<b>1</b>	<b>100%</b>			
4	Six Swiss Exchange	–	Main Market	GDR	<b>17</b>	<b>0</b>	<b>0%</b>	
5	WSE	–	Main Market	Total	<b>3</b>	<b>3</b>	<b>100%</b>	
				Dual listing	2	2	100%	
				New company placing	1	1	100%	
6	Nasdaq Nordic	Total	Total	Total	<b>4</b>	<b>0</b>	<b>0%</b>	
		Stockholm	Total	Total	<b>3</b>	<b>0</b>	<b>0%</b>	
			Main Market	New company placing	2	0	0%	
			First North GM	New company placing	1	0	0%	
		Helsinki	Main Market	New company placing	<b>1</b>	<b>0</b>	<b>0%</b>	
7	Vienna Stock Exchange	–	Prime Market	New company placing	<b>1</b>	<b>0</b>	<b>0%</b>	
<b>Total</b>					<b>179</b>	<b>122</b>	<b>68%</b>	

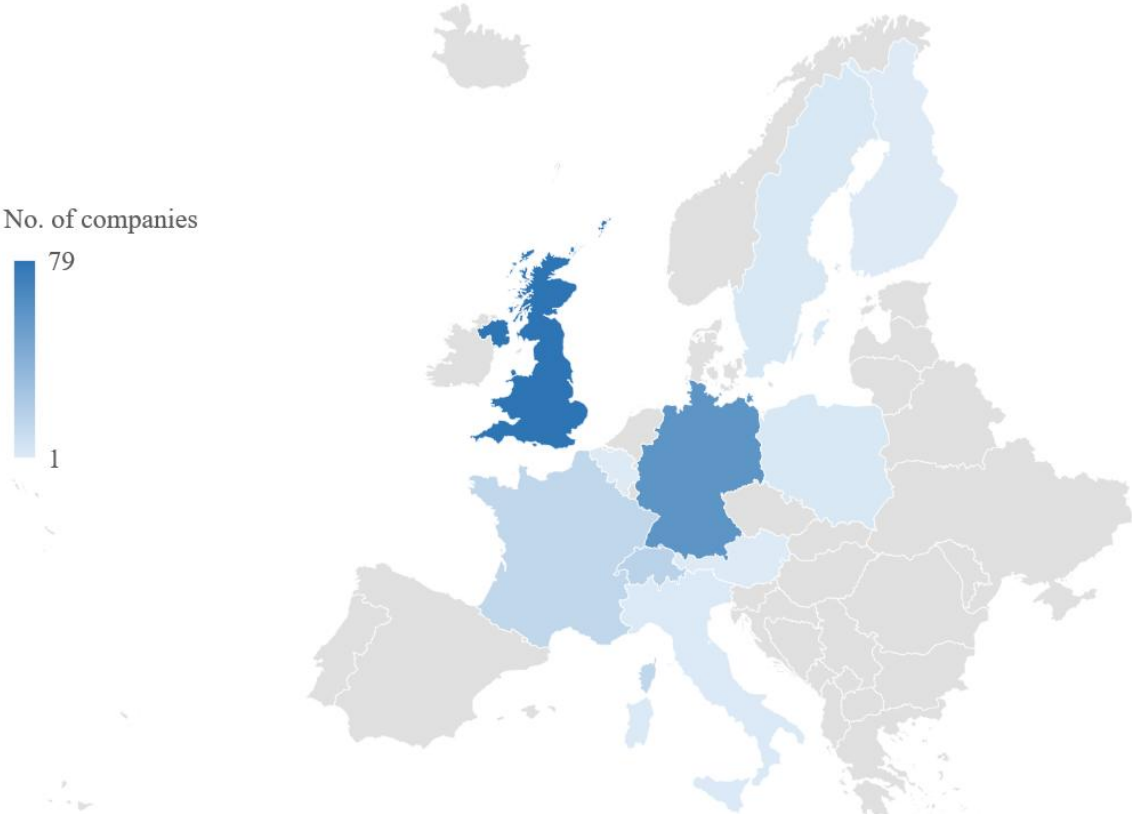
Source: own elaboration.

The segments and stock markets that Chinese companies enter are also important for analysing the presence of Chinese companies. The vast majority of Chinese companies choose to list on alternative markets, which are less stringent in terms of capital and regulatory requirements than main markets. Research on the German stock market (Xu, 2014) and the UK market (Pan & Brooker, 2014; Liu *et al.*, 2017) confirms that Chinese companies, especially smaller ones, choose alternative markets, which allows them to reduce listing costs and lower the barrier to entry. The literature review presented in Chapter 3 also indicates that smaller companies are more likely to undertake expansion efforts in foreign markets, often due to restrictions on access to capital in the home market.

The collected data reveals that 11 companies (10 listed on the LSE and 1 on the FSE) were listed without conducting IPOs. In addition, most of the companies are no longer present in the market where they were initially introduced. These issues are relevant to the study of the determinants of listing and will be expanded in the next parts of this thesis.

To provide an overview of the presence of Chinese companies in Europe, Chart 5.3 illustrates the geographic distribution of their stock exchange listings across the continent.

Chart 5.3. Spatial distribution of listing of Chinese companies in Europe

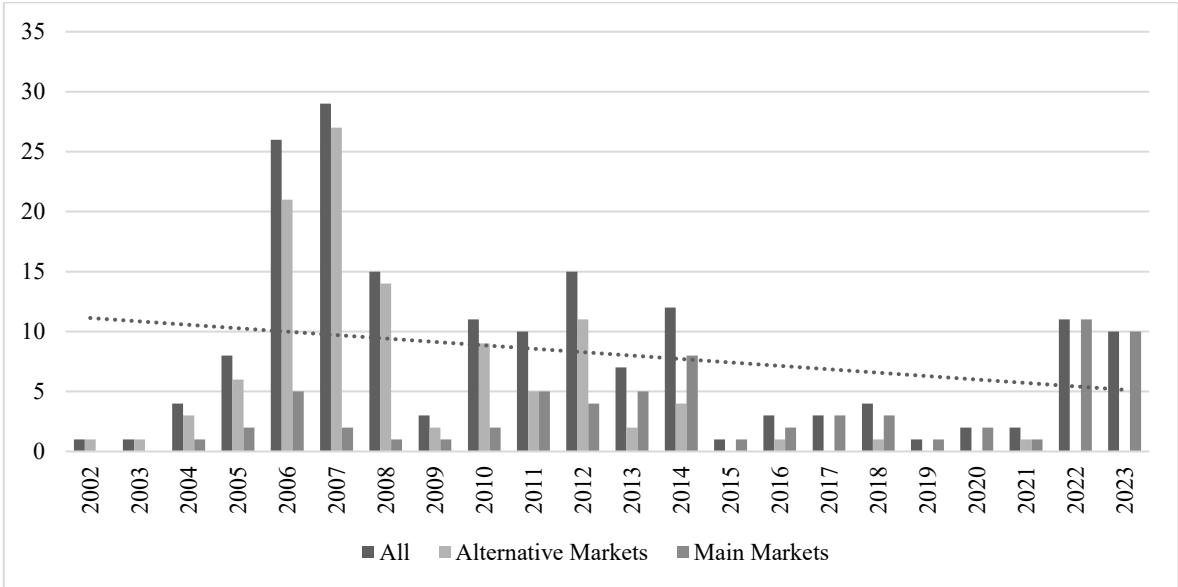


Source: own elaboration.

Collected data indicate a strong concentration in Western Europe, where capital markets are more mature, liquid, and institutionally developed. This pattern suggests that Chinese firms are more likely to target financial centres offering greater investor confidence, regulatory transparency, and international visibility. It also reflects strategic decision-making that aligns with broader goals of reputational legitimacy and access to diversified sources of capital.

Examining the presence of Chinese companies on European stock exchanges, the number of listings of these entities changed over time. Chart 5.4 shows the total number of listings made by Chinese companies in Europe during the analysed period with the differentiation between main and alternative markets.

Chart 5.4. Number of IPOs of Chinese companies in Europe in 2002–2023



Source: own elaboration.

The number of listings showed significant variation from year to year. Despite the recent rebound after 2021, the overall trend, as shown by the trend line in the chart, is downward. There are also differences in the number of IPOs in terms of the market in which the IPO is conducted. During the first wave of Chinese companies, new listings in alternative markets predominated. This situation changed after 2011, when companies began to enter main markets more often than alternative markets.

Chinese companies' IPO activity in Europe was closely related to the phases of the business cycle, reflecting the dynamics of global capital markets. As in the case of companies from other regions, the number of Chinese companies choosing to list on European stock exchanges increased significantly during hot market periods, when investor optimism and

liquidity were at a high level, and decreased during downturns, when uncertainty in the markets resulted in limited investment activity.

In 2002–2023 the European IPO market experienced several cycles that were closely linked to the key historical events discussed in the Chapter 3 and 4. The first significant event that influenced the activity of Chinese companies in European capital markets was the opening of AIM on the LSE in 2005. In the sample, 26 Chinese companies entered AIM in 2005 and 2006. As a dedicated market for SMEs, AIM offered more flexible rules compared to the Main Market of the LSE. As a result, AIM attracted a much larger number of Chinese companies that were not be able to meet the LSE's restrictive Main Market entry requirements regarding capitalization, long-term profitability or financial transparency. AIM enabled these companies not only to access capital, but also to increase their visibility in international markets, which could promote their further growth and expansion (Liu, 2014, pp. 25–26). The increased number of IPOs of Chinese companies on the LSE in 2007 was also reported in the trade press at the time (Anderlini, 2007).

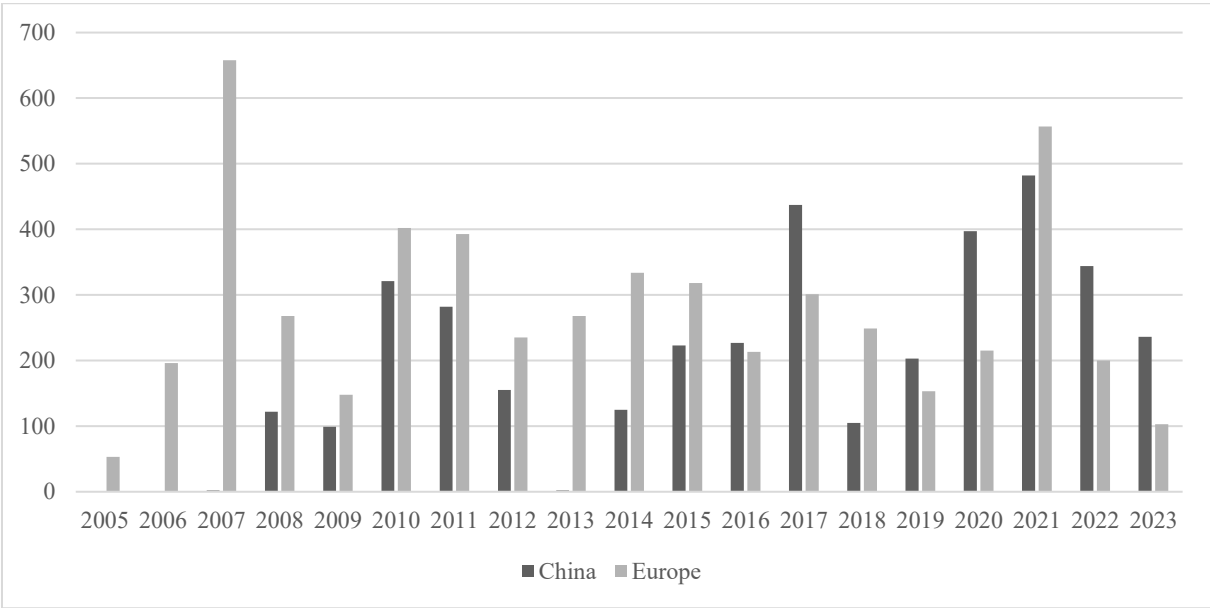
Another significant factors influencing the decline in the number of IPOs was the global financial crises. During the global financial crisis in 2007, there was a noticeable decline in the number of IPOs of Chinese companies in European markets, as a result of a collapse in investor confidence and increased risk aversion. There was also a decline in Chinese companies in 2010, which may have been related to the financial fraud of Muddy Waters, primarily having an effect on the US market, however also affecting Europe (Feng *et al.*, 2023).

Next, after the COVID-19 pandemic in 2021 there was a marked increase in the number of IPOs by Chinese companies. In addition, due to the importance of the London market for Chinese companies, regulatory changes and political tensions between the EU and UK caused by Brexit may have also played a role in limiting the activity of Chinese companies in European capital markets.

The presence of Chinese companies on stock markets in Europe should also be contrasted with the situation in the IPO market in Europe and in China at the same research period (see Chart 5.5). Due to the lack of available data for the early years of the period under study, this chart shows the total number of IPOs from 2005 to 2023.

Comparing the expansion of Chinese companies to the situation in the European IPO market, it can be seen that the activity of Chinese companies generally followed the trends in the European IPO market. Similar to the European market, more Chinese companies also entered the market in 2006–2007, 2010–2011 and 2021–2022 due to the hot market period in Europe.

Chart 5.5. Number of IPOs in Europe and in China in 2005–2023



Source: own elaboration based on WFE (2025). WFE statistics, <https://statistics.world-exchanges.org/> (access as of 14.11.2025).

This pattern suggests that Chinese companies could strategically time their market entries to coincide with periods of high liquidity and strong demand for new listings, indicating a reactive approach to prevailing market trends. Moreover, the correlation between European market cycles and Chinese IPO activity highlights the interconnectedness of global capital markets and the importance of international investor confidence in shaping cross-border listing strategies.

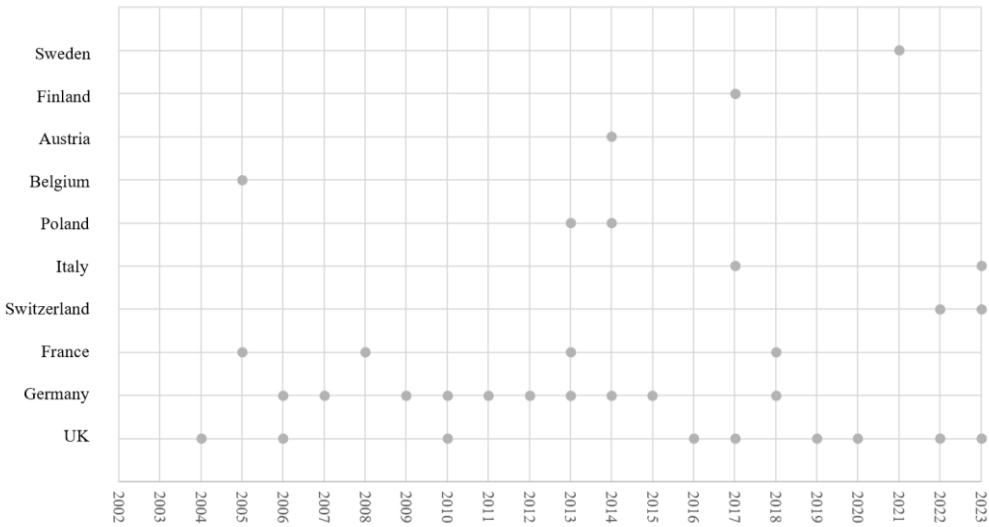
In the case of China, three factors played a key role in shaping both domestic and overseas issuance activity. First, the cyclical dynamics of the A-share markets, characterised by sharp recoveries and subsequent slumps, influenced firms’ readiness to list abroad. Second, structural reforms of the capital market, including the launch of the STAR Market in 2019 and the introduction of a registration-based IPO system (Lei *et al.*, 2021), increased the attractiveness of domestic exchanges, particularly for technology companies. Third, the escalation of regulatory oversight of the technology sector, culminating in the sudden suspension of Ant Group’s IPO in November 2020 (Fried & Kamar, 2020; Shao *et al.*, 2025), temporarily reduced appetite for large cross-border listings.

As a result, the decision by Chinese issuers to enter European markets was not solely a response to the European economic situation, but rather the result of an interaction between cyclical and structural factors. When European liquidity and valuations created favourable

conditions, and at the same time domestic conditions did not hinder expansion, companies were more likely to opt for foreign debuts.

The observed patterns in Chinese IPO activity suggest an alignment with European market trends. To gain a deeper understanding of how these companies navigated the European financial landscape, it is also necessary to examine the specific markets in which they chose to go public. Chart 5.6 presents the distribution of debuts on the main stock markets in Europe in individual years. Each point on the chart represents at least one IPO carried out in a given year on a given market.

Chart 5.6. IPO of Chinese companies by year and country of listing on main markets of European stock markets

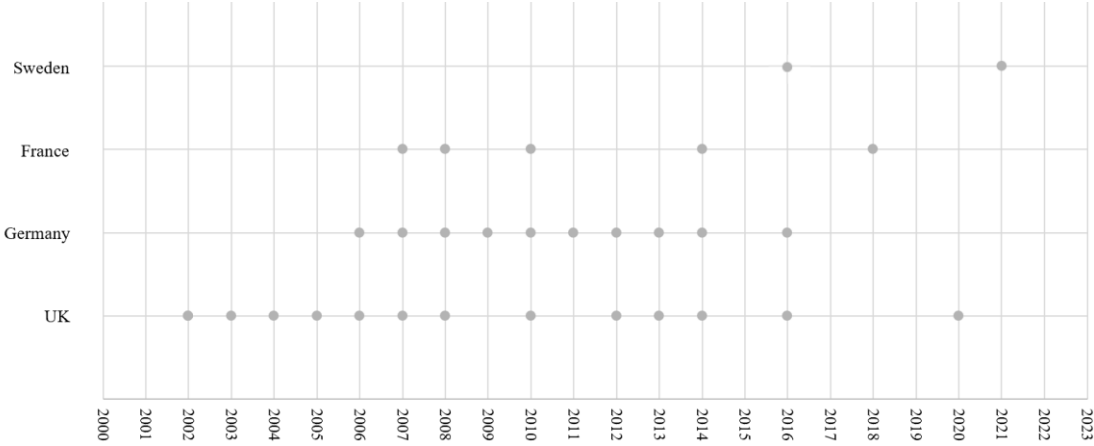


Source: own elaboration.

Visual analysis reveals that only in the case of stock exchanges in Germany and the LSE can a certain repeatability and relative continuity in the conduct of IPOs be observed. On other major markets, IPOs were rather infrequent and irregular, which may indicate a selective approach based on an assessment of the attractiveness of individual markets at a given moment. Such patterns may indicate that companies carefully assessed the timing and attractiveness of individual markets.

Following the analysis of presence of Chinese companies on the main markets, it is also worth noting the alternative market segment. The frequency of presence of Chinese companies on this segment of stock market are presented in Chart 5.7. The data clearly show that Chinese companies used these markets to a much lesser extent than the main markets, both in terms of the number of trading venues and the frequency of IPOs.

Chart 5.7. IPO of Chinese companies by year and country of listing on alternative markets in Europe



Source: own elaboration.

Notably, activity on alternative markets was concentrated mainly until 2016, after which the number of IPOs declined significantly. One possible explanation for this phenomenon is the launch of the STAR market in China in 2018, which may have taken over the role of a financing platform for smaller, innovative companies (Lei *et al.*, 2021). The introduction of this segment in the SSE structure has probably reduced the need to seek capital on foreign markets, including in Europe.

An analysis of the geographical and temporal distribution of Chinese IPOs in Europe reveals several key observations. Firstly, the dominant trend is to choose major markets, which can be interpreted as a desire to maximise the prestige of listing and access to deeper capital markets. Secondly, only in the case of London and German stock exchanges is there a clear, long-term presence of Chinese issuers, which may indicate the strategic importance of these locations. Thirdly, in the case of other European stock exchanges, IPOs were rather incidental and may have been part of individual company strategies aimed at entering specific market segments or testing investor reactions in selected regions.

**5.2.3. Characteristic of Chinese companies listed on European stock exchanges**

This part of the thesis conducts a detailed analysis of Chinese companies listed on European stock exchanges, with a focus on their characteristics. The analysis begins with an assessment of the ownership structure of these companies. As indicated in Chapter 3, the dominant role in China is played by SOEs, which are under the close supervision of the Chinese authorities, who have significant influence over their operations and strategic decisions. Analysing the presence

of Chinese companies in the European market, the question can be raised whether SOEs dominate among the identified group of Chinese companies.

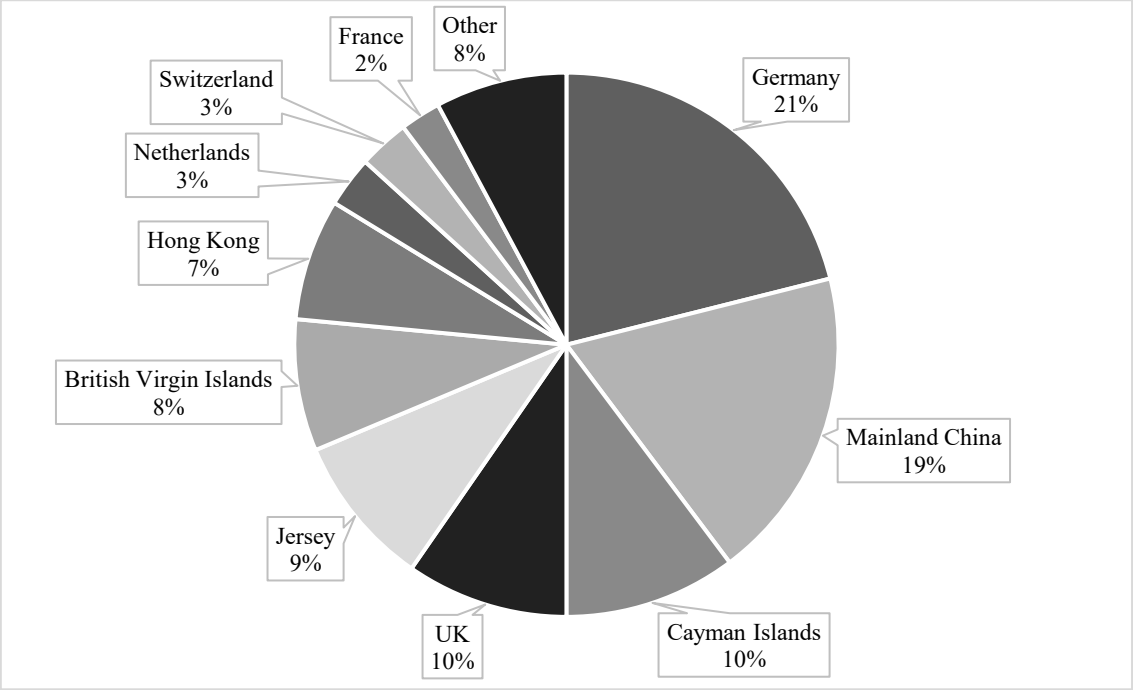
Ownership structure data was collected from the LSEG Workspace database, where the definition of SOE was presented as ‘*an entity owned or controlled by the government or any government body, if the latter has more than 50% of votes or has a golden share in the company, which gives it veto power*’. In the group of companies analysed, 34 of them were identified as SOEs. These companies were specifically entering main markets, with 26 companies in this group. The rest of the companies in the survey are private companies.

Their presence in European markets, especially at the beginning of the 20th century, may be related to the low accessibility of private companies to financing in the banking system. Such financing is accessed by SOEs, which, due to their strong position and financial stability, can count on bank financing for their operations. This phenomenon may also be related to the described in the Chapter 3 situation of underdeveloped financial system dedicated to SMEs. Given these factors, a significant number of Chinese companies are choosing to go public on the alternative market, which offers them greater accessibility.

Considering the complexity of the ownership structures constructed by Chinese companies, it is important to examine the jurisdictions of incorporation under which these firms appear on European stock markets. This can be assessed by the ISIN code of each listing. Notably, only 2 Chinese companies, i.e. Air China and Haier Smart Home, have been assigned ISIN codes beginning with the country directly identifying Mainland China, or ‘CN’. In contrast, the ISIN codes of other companies indicate different countries of origin. The summary below highlights the distribution of companies based on two key criteria: 1) country of incorporation and 2) country of HQ. This information is visually represented in Chart 5.8 and Chart 5.9, providing a comparison of the geographical presence of these companies.

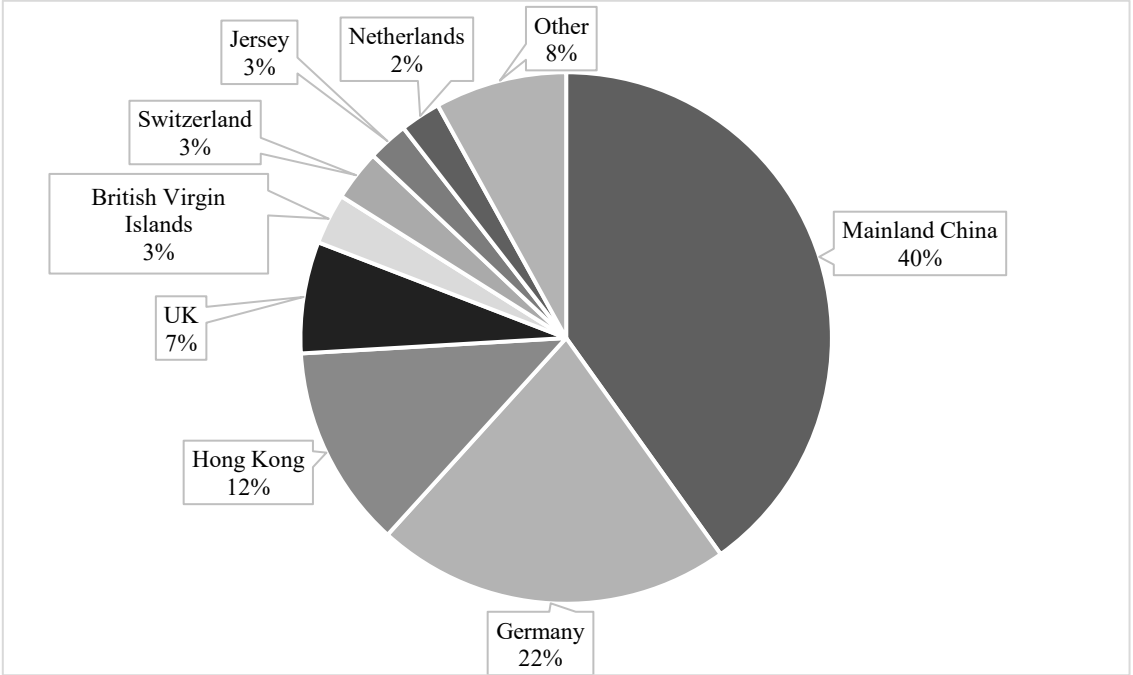
These charts show that Chinese companies are much more likely to indicate China as the country of HQ than the country of incorporation. There are many other countries where Chinese companies have either their country of incorporation or HQ country. The above confirms that Chinese companies, in order to enter the European market, form SPVs in various places around the world, most often referred to as tax havens. This is in line with the results of studies on the US and HKEX markets (Fang *et al.*, 2023; Li *et al.*, 2023), which also outlined a similar pattern of stock market entry. These studies specifically highlighted the Cayman Islands and British Virgin Island as major destinations for Chinese companies to form SPVs.

Chart 5.8. Country of incorporation of Chinese companies on stock exchanges in Europe



Source: own elaboration.

Chart 5.9. Country of HQ of Chinese companies listed on European stock exchanges



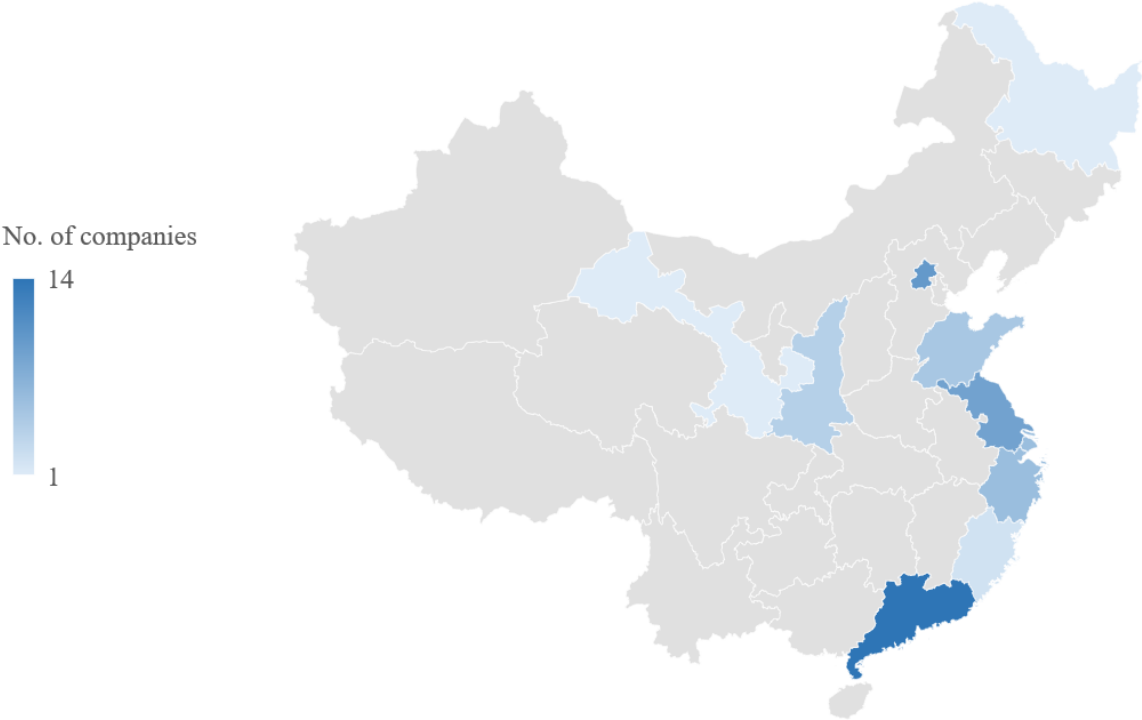
Source: own elaboration.

Significantly, Germany emerges as the second most common country of HQ for Chinese companies operating in Europe. This relatively high number of companies whose country of HQ is Germany may be due to the way in which Chinese companies conduct business by

establishing holding companies in this region. As indicated earlier in this Chapter, Chinese companies have for many years been able to count on a range of support in setting up operations in Germany thanks at least to the activities of CEINEX.

With regard to companies that indicate Mainland China as their country of incorporation or HQ country, Chart 5.10 shows the geographic location of their cities of incorporation.

Chart 5.10. HQ location of Chinese companies listed in Europe



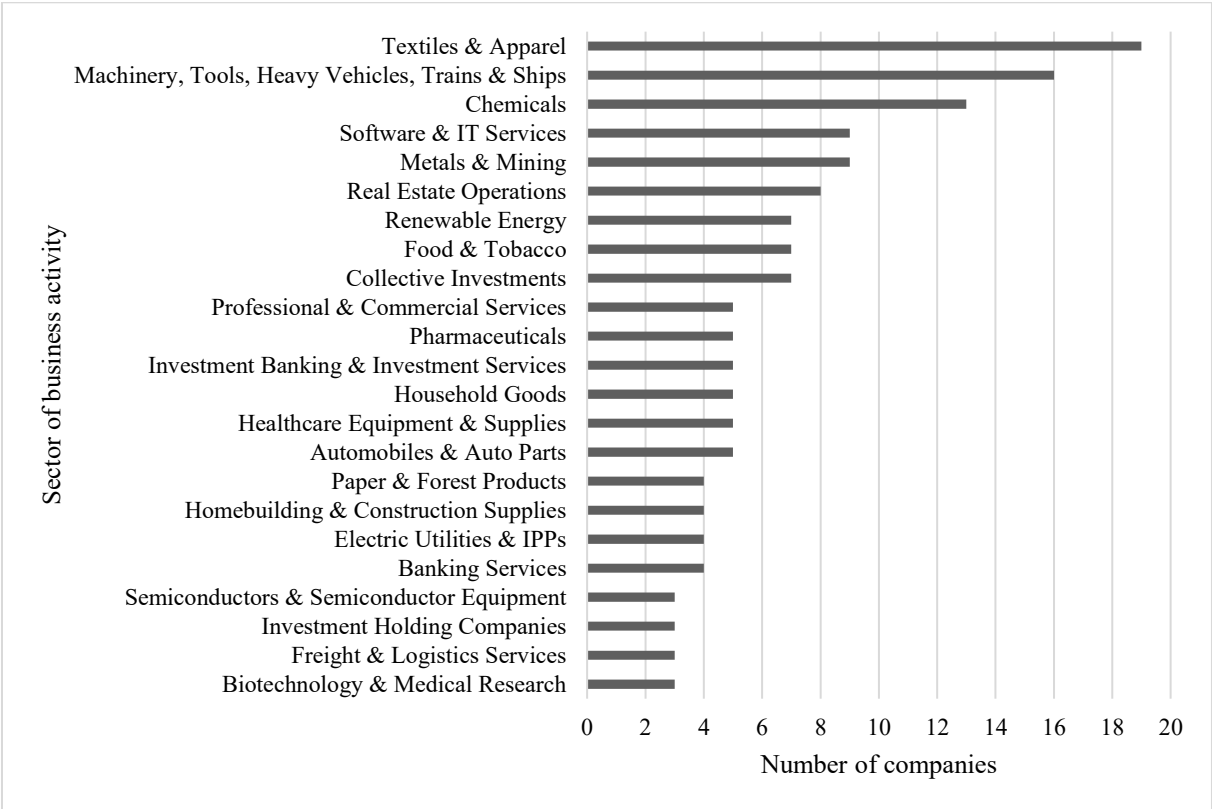
No. of companies	14	10	9	6	6	5	4	2	1	1
State/province	Guangdong	Beijing	Jiangsu	Zhejiang	Shanghai	Shandong	Shaanxi	Fujian	Gansu	Heilongjiang

Source: own elaboration.

An analysis of the origin of these companies reveals that the largest accumulation of them comes mainly from the Eastern part of China. As explained in the Chapter 3, this part of China plays a key role in the country's economy and is one of the most economically developed regions. Interestingly, Guangdong province hosts one of China's largest stock exchanges, the SZSE. A large group of companies also come from the country's capital, Beijing.

The following part discusses the distribution of Chinese companies in Europe based on their business activities. Chart 5.11 presents a collective classification of the company's industry based on the Refinitiv Business Classification Industry Group Description (TRBC).

Chart 5.11. Chinese companies listed on European stock exchanges by sector of business activity



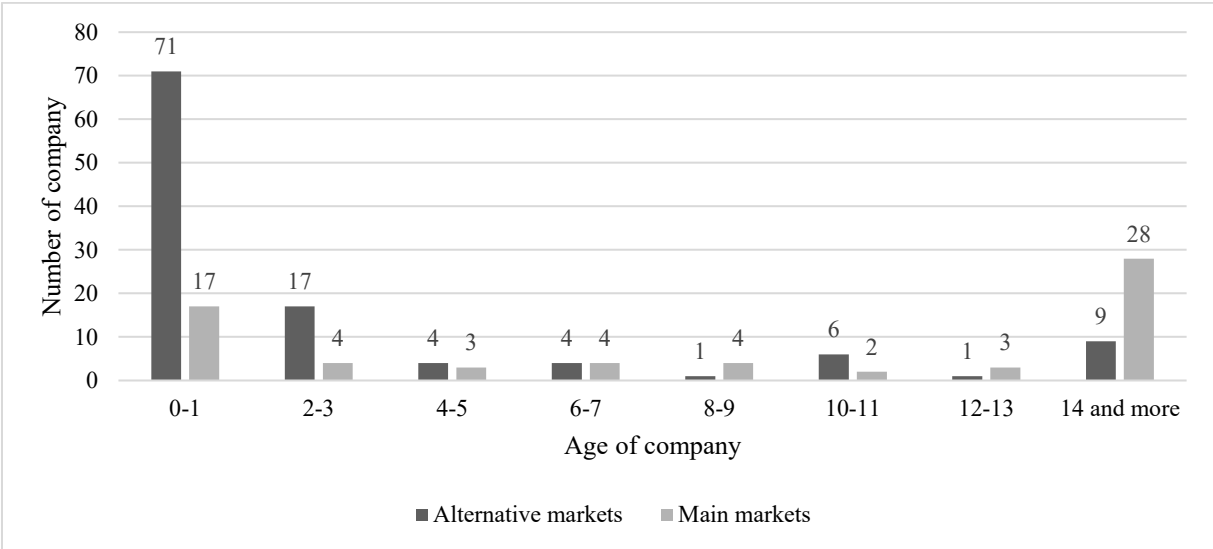
Source: own elaboration.

As the data shows, the largest number of companies operate in the textiles and clothing manufacturing sector. There is also a large group of companies in the industry sector producing machinery, trains and ships, as well as in the chemicals industry. Importantly, the chart reflects the most relevant sectors for the Chinese economy. According to data from the National Bureau of Statistics for 2023, industry, wholesale and retail trade and finance are the most significant sectors, generating the largest GDP (NBS, 2024). This may indicate an alignment between the operational focus of these companies and the broader economic landscape of China.

In the next section, the analysis shows the difference in years between a given company's incorporation and IPO. The basis for examining this age is the year of incorporation of a given company in China and the date of IPO in Europe. This analysis is broken down by the market in which company went public (see Chart 5.12).

Comparing these two markets, an inverse relationship can be observed. The majority of Chinese companies going public on alternative markets are no more than 3 years old. For the main markets, the vast majority are mature companies. This age is consistent with the results of earlier studies on the age of companies listed on the European market, or the US market (European Commission, 2020, p. 32–33). It is also noteworthy that a substantial number of companies were incorporated in the same year as their IPO. However, this observation, should be interpreted with caution, as such timing may reflect pre-IPO restructurings rather than the creation of entirely new company. In particular, M&As, corporate reorganisations, and changes in ownership structures, often undertaken shortly before a IPO, can result in a newly recorded incorporation date that does not correspond to the company’s actual operational history.

Chart 5.12. Age of Chinese company going public on main and alternative markets in 2002–2023

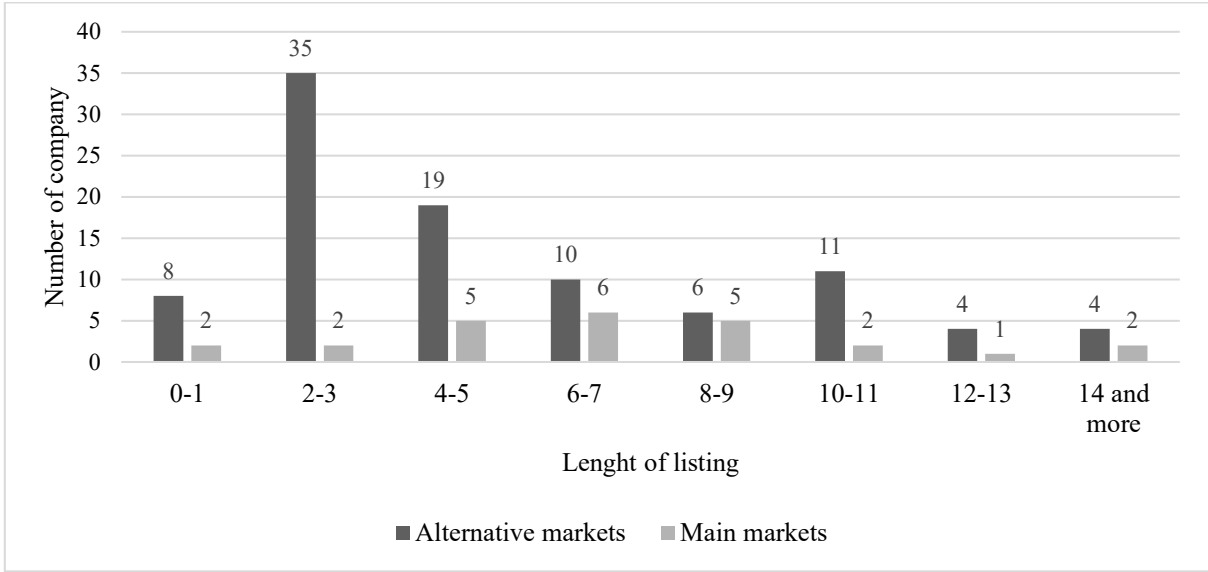


Source: own elaboration.

The sample includes also a group of companies that are no longer listed on the primary market. In view of the above, the length of listing is also an interesting characteristic that shall be undertaken during this analysis. Repeatedly, this analysis is divided by the market in which the company was listed (see Chart 5.13).

The largest number of companies listed on alternative markets are listed for a relatively short time on the market. Nearly 60% of all companies have not been listed for more than 5 years. This may be related to the creation of SPVs and their subsequent acquisition by other entities. As for the main markets, these companies are much less likely to delist in the first 5 years after IPO than companies that enter alternative markets.

Chart. 5.13. Length of listing of Chinese companies listed on the European markets in 2002–2023



Source: own elaboration.

In contrast, main markets present a markedly different dynamic, characterised by lower early-stage delisting rates and more sustained market presence. These companies are significantly less likely to be delisted within five years following their IPO. This also shows a more predictable post-IPO trajectory, as companies listed on main markets of stock exchanges remain active participants in the secondary market for considerably longer periods.

Moving on to the financial data of Chinese companies, Table 5.5 presents the statistical data on the characteristics of Chinese companies conducting IPOs in the European market. The data includes those Chinese companies that conducted IPOs in the European market.

This analysis consists of three types of data provided by stock exchanges selected for data availability. The first is the opening share or GDR price on the day of the first listing. Opening price is the first price at which the shares of a newly listed company were actually bought and sold on the market on the day of its debut. The second is market capitalisation in million EUR based on the first closing price. The third capital raised through the IPO. This analysis excludes markets where the number of Chinese companies impeded such an analysis, e.g. the Vienna Stock Exchange or WSE. The analysis also includes all companies listed on each stock market that conducted an IPO during the period under study. Companies for which full data was not presented were excluded from this analysis.

Table 5.5. Descriptive statistics for IPOs of Chinese companies and all companies listed on stock exchanges in Europe in 2001–2023

Stock exchange market	Descriptive statistics	Chinese companies				All companies listed			
		No. of companies	Opening price in EUR	Market capitalisation in m EUR	Capital raised in m EUR	No. of companies	Opening price in EUR	Market capitalisation in m EUR	Capital raised in m EUR
LSE – AIM	Mean	57	108.0800	671.4202	62.9381	1762	107.0118	66.2864	25.9043
	Median		63.4600	44.4780	7.7352		76.8000	30.5171	8.4000
	Min.		1.0000	1.1444	0.1440		0.1000	0.2820	0.0001
	Max.		907.2000	34082.1100	1895.5837		15600.0000	1183.5115	656.0874
	SD		165.2200	4505.2630	255.0128		388.0113	104.6425	50.6419
FSE, Borse Berlin, Borse Stuttgart – Entry Standard & First Quotation Board	Mean	30	6.4720	38.3161	16.7590	980	6.5791	74.3494	31.6500
	Median		1.7450	15.9003	8.5881		2.0000	15.7250	7.1578
	Min.		0.0100	0.1300	0.0003		0.0100	0.0450	0.0001
	Max.		93.6000	208.7632	75.0000		200.0000	6508.0491	1571.9745
	SD		17.2962	51.7582	20.2989		15.2582	337.2226	109.3111
FSE, Borse Berlin – Prime Market & General Market	Mean	27	11.2730	249.3355	54.1376	178	20.8879	100.3032	2575.2459
	Median		9.4400	110.6275	15.0000		15.6500	20.7436	300.3983
	Min.		2.1000	14.4068	2.0000		0.8000	0.0005	14.4068
	Max.		24.4500	3095.5700	953.0000		147.0000	3862.6386	81005.0210
	SD		6.0293	577.7774	180.7197		18.7534	323.5510	9138.8559
SIX Swiss – Main Market	Mean	17	15.2559	1623.8059	294.2718	87	53.8489	1207.1810	457.0207
	Median		14.4200	522.7500	206.9600		48.1500	451.5400	196.9870
	Min.		2.6000	16.9000	6.5000		9.2341	42.0510	0.0000
	Max.		30.0000	4893.3000	663.5900		202.2300	16290.7500	3100.8600
	SD		6.4216	1927.2803	203.5114		38.3420	2062.3616	634.2639
LSE – Main Market/International Main Market	Mean	12	61.3146	6341.7343	482.2416	908	145.1729	613.3359	205.6652
	Median		19.6620	631.5062	156.2079		120.0000	131.6982	90.0000
	Min.		3.7200	3.2640	0.4262		0.1000	0.9225	0.0010
	Max.		352.6893	56496.5300	1862.2874		2280.0000	43613.0951	7432.1813
	SD		100.4689	16022.6305	643.1007		203.1513	2235.0215	437.5718

Note: SD means Standard Deviation.

Source: own elaboration.

A first notable observation is the disproportionately high variability within analysed groups. The large standard deviation in all data sets indicates significant differences in the samples of companies, particularly on markets such as LSE AIM and the LSE Main Market. For instance, although the mean market capitalization of Chinese companies on AIM amounts to EUR 671 million, the median is only EUR 44.48 million, and the minimum value is close to zero. This indicates a strongly right-skewed distribution, dominated by a small number of unusually large IPOs that inflate the average. The same skewness is visible in capital raised, where maximum values exceed 1.8 billion EUR, despite the median below EUR 8 million.

Analysing the performance of Chinese companies on the alternative markets of the German stock exchanges, the similar pattern is also observed. Companies show much higher mean market capitalizations (EUR 38.32 million) and capital raised (EUR 16.76 million) than their European counterparts. Yet again, the median values remain relatively low, confirming that the high average is driven by a few outliers. In contrast, the values for all IPOs on this segment are lower and more evenly distributed, indicating that Chinese companies tend to exploit the German market as a platform for larger-scale fundraising relative to local issuers. This observation is in line with an earlier study on the German stock market (Xu, 2014).

On main markets of stock exchanges such as the FSE and the SIX Swiss Exchange, Chinese IPOs continued to exhibit higher mean values, but the differences relative to all listed companies become less pronounced in terms of this listing venue. For example, Chinese issuers on SIX Swiss Exchange have an average market capitalization of EUR 1.62 billion compared to EUR 1.21 billion among all issuers. What distinguishes this segment is the relatively narrower spread (lower standard deviation), implying that companies entering these markets are already large, established, and more homogeneous. This may suggest that only a selective subset of sizeable Chinese firms is able or willing to meet the stricter listing requirements of Switzerland or German market.

In addition, the performance of Chinese companies on SIX Swiss Exchange is characterized by a different profile compared to their equivalents listed on German stock exchanges. It should be noted that all Chinese companies issuing GDRs on SIX Swiss are SOEs, with a minimum of 70% state ownership. This strong state involvement may affect the nature of the business and financial performance of these entities. Therefore, it can be concluded that the SIX Swiss Exchange attracts more controlled, strategically managed SOEs. The distinction in the structure and financial performance of these two groups of companies underscores the differential role that the various exchanges play in the international expansion of Chinese companies.

A cross-market comparison shows the persistent gap between mean and median values highlights that the group of Chinese issuers is far from homogeneous. Instead, the data indicate a bimodal structure, where SMEs constitute the majority, but a minority of exceptionally large companies, often associated with state backing or strategic sectors, shape the overall statistical profile.

From a broader perspective, these findings suggest that Chinese firms have used European stock exchanges primarily for two purposes. The first one is the raising medium-scale capital on flexible, less regulated markets, such as AIM or the German Entry Standard. The second one is the conducting large, internationally oriented IPOs on major markets, aimed at enhancing global visibility and accessing institutional investors. Thus, the presence of Chinese companies in European secondary markets is not uniform but rather reflects strategic segmentation. The large companies go public on the high-prestige markets, while smaller firms benefit from the flexibility of alternative trading venues.

### **5.3. Analysis of the presence of Chinese companies on secondary markets in Europe**

#### **5.3.1. Characteristic of stock exchanges hosting Chinese companies in Europe**

This section analyses the presence of Chinese companies in the secondary market, where previously issued securities are traded, examining both the scale and nature of their activities. It explores how these companies participate in securities trading beyond the IPO, analysing their market capitalisation, liquidity and investor base. In this way, this section aims to provide a comprehensive understanding of the role that Chinese companies play in the broader financial ecosystem, highlighting trends, patterns and potential implications for both domestic and international investors.

Table 5.6 presents the scale of presence of Chinese companies whose instruments are listed on the secondary markets. The sample includes Chinese companies that conducted IPOs between 2001 and 2023. Since a single company may have multiple RICs assigned, each corresponding to a specific instrument, this analysis refers to all RIC identifiers associated with the company. Therefore, the Table 5.6 shows instruments that were launched by issuers whose country is Mainland China. This study was limited to ordinary shares only. The table uses the division of instruments into identified as no-Chinese by ISIN code and Chinese companies identified by ISIN code.

Table 5.6. Financial instruments listed by Chinese companies on the secondary market in Europe between 2001 and 2023

Country	Stock exchange	Instruments of companies identified as non-Chinese by ISIN code			Instruments of companies identified as Chinese by ISIN code			All instruments of Chinese companies		
		No. of listed instruments	No. of delisted instruments	No. of instruments listed by SOE companies	No. of listed instruments	No. of delisted instruments	No. of instruments listed by SOE companies	No. of listed instruments	No. of delisted instruments	No. of instruments listed by SOE companies
Germany	Total	1270	574	21	614	99	243	1884	673	264
	Frankfurt	405	186	6	165	12	54	570	198	60
	Stuttgart	274	117	8	119	2	49	393	119	57
	Berlin	269	120	4	147	76	50	416	196	54
	Munich	183	80	1	98	4	46	281	84	47
	Dusseldorf	102	52	2	58	4	26	160	56	28
	Hamburg	25	11	0	14	1	9	39	12	9
	Hanover	12	8	0	13	0	9	25	8	9
UK	London	265	117	5	127	106	53	392	223	58
Switzerland	Total	9	3	1	5	2	2	14	5	3
	Berne	6	2	1	1	1	0	7	3	1
	SIX Swiss	3	1	0	0	0	0	3	1	0
Poland	Warsaw	3	3	0	0	0	0	3	3	0
Bulgaria	Bulgarian	3	3	0	4	1	2	7	4	2
Greece	Athens	2	1	0	0	0	0	2	1	0
Hungary	Budapest	2	2	0	2	1	1	4	3	1
Austria	Vienna	1	1	0	13	2	7	14	3	7
France	Euronext	1	1	0	1	1	1	2	2	1
Sweden	OMX Nordic	1	0	0	7	7	3	8	7	3
Ireland	Irish	0	0	0	1	1	1	1	1	1
Italy	Milan	0	0	0	1	1	1	1	1	1
Norway	Oslo	0	0	0	1	1	1	1	1	1
Total		1557	705	27	776	222	315	2333	927	342

Source: own elaboration.

The table distinguishes between instruments with ISIN codes indicating a non-Chinese origin and those whose ISIN codes identify them as Chinese. This differentiation is essential, as the country of incorporation or listing venue does not always correspond to the country encoded in the ISIN structure. By relying on ISIN-based identification, the analysis provides a clearer view of the geographic and regulatory affiliation of the instruments traded on European markets, and thereby allows for a more accurate assessment of the footprint of Chinese issuers in the secondary market

Table 5.6 shows that companies with Mainland China as the country of issuer have issued a total of 2,333 financial instruments. Of these, 776 instruments are identified as Chinese based on their ISIN codes, while 1,557 instruments are issued by companies whose ISIN codes do not indicate a Chinese origin. Similarly to the primary market, the majority of the instruments of Chinese companies are listed in Germany and the UK. This confirms the central role of these two jurisdictions as the main European entry points for Chinese issuers. As for the other stock exchanges in Europe, it is worth to note the stock exchange in Austria, where in contrast to the primary market, more instruments are listed. This indicates that certain exchanges may play a more significant role for Chinese companies at the post-IPO stage than at the moment of initial issuance. For the other stock exchanges, the presence of financial instruments issued by Chinese companies is rather incidental.

Comparing the presence of Chinese companies in the German market, it is important to note the listing of Chinese companies on all stock exchanges in Germany. In the primary market, the dominant group of the companies is listed on the FSE. As for the secondary market, Chinese companies also offer their instruments on the other stock exchanges in Germany than FSE. Moreover, the same companies are simultaneously present on many German stock exchanges at the same time. This diversification of secondary listings suggests that issuers may seek to expand liquidity pools, increase visibility among regional investor groups or take advantage of regulatory and operational differences between German exchanges.

By analysing the origin of Chinese companies in terms of the city or province of their registration in China, there are marked parallels with trends in primary market selection. An analysis of the origin of Chinese companies is shown in Chart 5.14. The origin of the companies was examined by the country of incorporation of the companies.

The geographical origin of Chinese issuers is not evenly distributed across China but is concentrated in several economically developed and internationally oriented provinces. For the secondary market, most companies are registered in the eastern part of China, which is more economically developed. Most companies are headquartered in Beijing, China's capital city,

which is not only a political one, but also an important financial centre. In addition to Beijing, the regions where China's major stock exchanges are located, such as Shanghai–SSE, and Guangdong–SSE, also play an important role. The exception is Xinjiang province in northwest China, where three companies are registered.

Chart. 5.14. Spatial distribution of Chinese companies registrations states



Province	Beijing	Shanghai	Guangdon	Shandong	Tianjin	Hebei	Jiangsu	Chongqing	Henan	Jiangxi	Jiangsu	Hubei	Sichuan	Xinjiang	Yunnan	Anhui	Fujian	Jilin	Liaoning	Shaanxi	Hainan	Heilongjia	Hunan	Shanxi
No. of companies	61	22	19	12	8	7	7	5	5	4	3	3	3	3	3	2	2	2	2	2	1	1	1	1

Source: own elaboration.

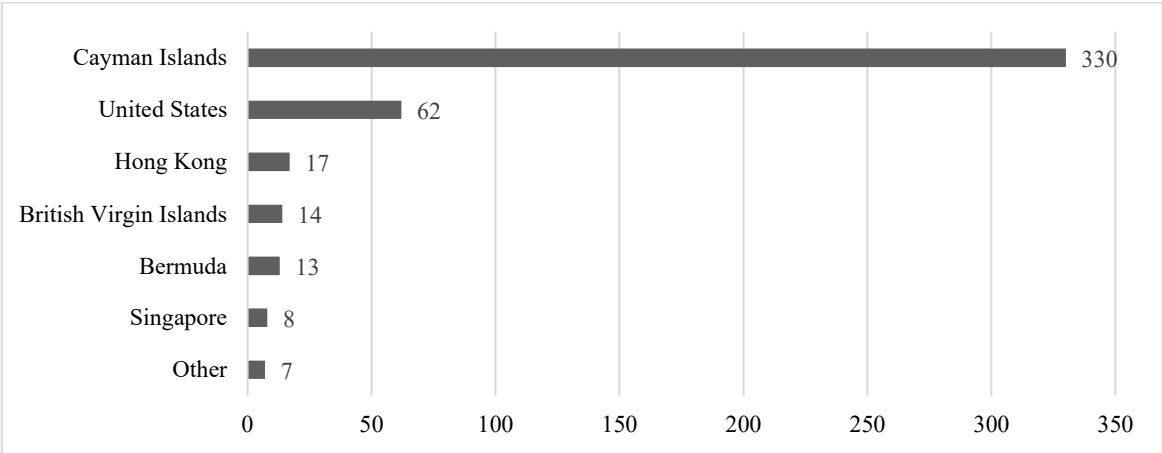
The dominance of these regions illustrates the remark observed in the primary market, suggesting that the same structural factors influencing IPO location decisions, such as access to capital or regulatory expertise, also shape the composition of companies active in the secondary market. Therefore, the geographical origin of these companies largely mirrors patterns observed in the primary market, with companies predominantly originating from economically advanced coastal provinces and frequently adopting offshore incorporation structures to facilitate cross-border trading.

**5.3.2. Overview of Chinese companies with securities available on secondary markets**

This subsection presents a general description of Chinese companies whose securities are listed on European secondary markets. This analysis allows for an understanding of the basic characteristics of issuers, including their ownership structure, size, business profile and the specifics of their operations in different institutional environments. By highlighting these characteristics, this examination provides a starting point for further assessment of the factors determining Chinese companies' decisions to enter European markets.

Similarly to the analysis performed for Chinese companies listed on the primary market, the characteristic of presence of Chinese companies on the secondary markets is performed in regards to the country of origin. In contrast to the primary market, the majority of companies are identified as Chinese companies. For companies whose ISIN code does not point to China, the country of origin mainly refers to the Cayman Islands (see Chart 5.15). Incorporation in the Cayman Islands is also linked to the opportunities this jurisdiction offers in terms of legal solutions such as VIE structure.

Chart 5.15. Countries of incorporation of Chinese companies registered outside Mainland China

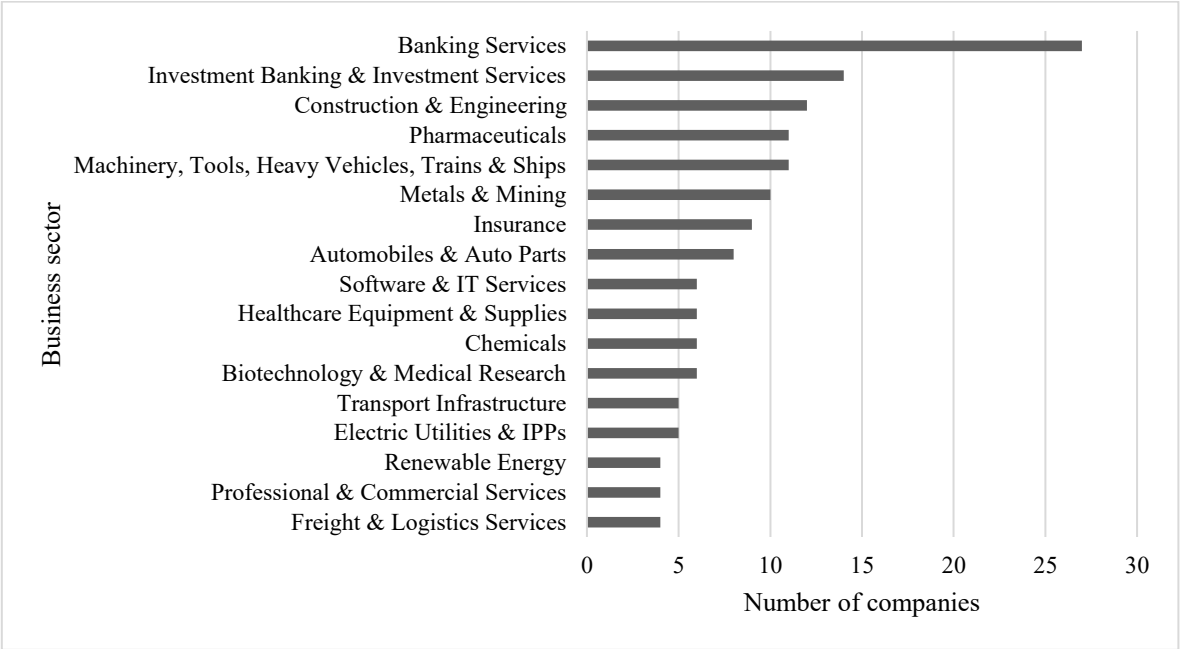


Source: own elaboration.

The US market also remains an important destination for Chinese companies, with a noticeably large number of Chinese companies choosing to incorporate in the US as their country of domicile. For many Chinese companies, the US markets may be the preferred destination for an IPO, due to their liquidity, large investor base and the prestige associated with listing on exchanges such as Nasdaq and NYSE. As explained in Chapter 3, the largest number of Chinese companies conduct IPOs in the US markets (U.S.–China Economic and Security Review Commission, 2025).

Subsequently, an analysis of companies by the sectors in which they operate was conducted. The following is a comparison between companies registered in Mainland China and companies that indicate other jurisdictions as their country of incorporation. The breakdown of companies by business sector is shown in Charts 5.16 and 5.17. The division is made between companies incorporated in China and those incorporated offshore. This distinction offers an interesting research perspective, as it allows for a clearer examination of how business sector and corporate origin influence listing behaviour and market presence. The names of the sectors correspond to the TRBC classification adopted by LSEG Workspace. Due to the large number of companies, these charts show the business sectors with the largest number of companies.

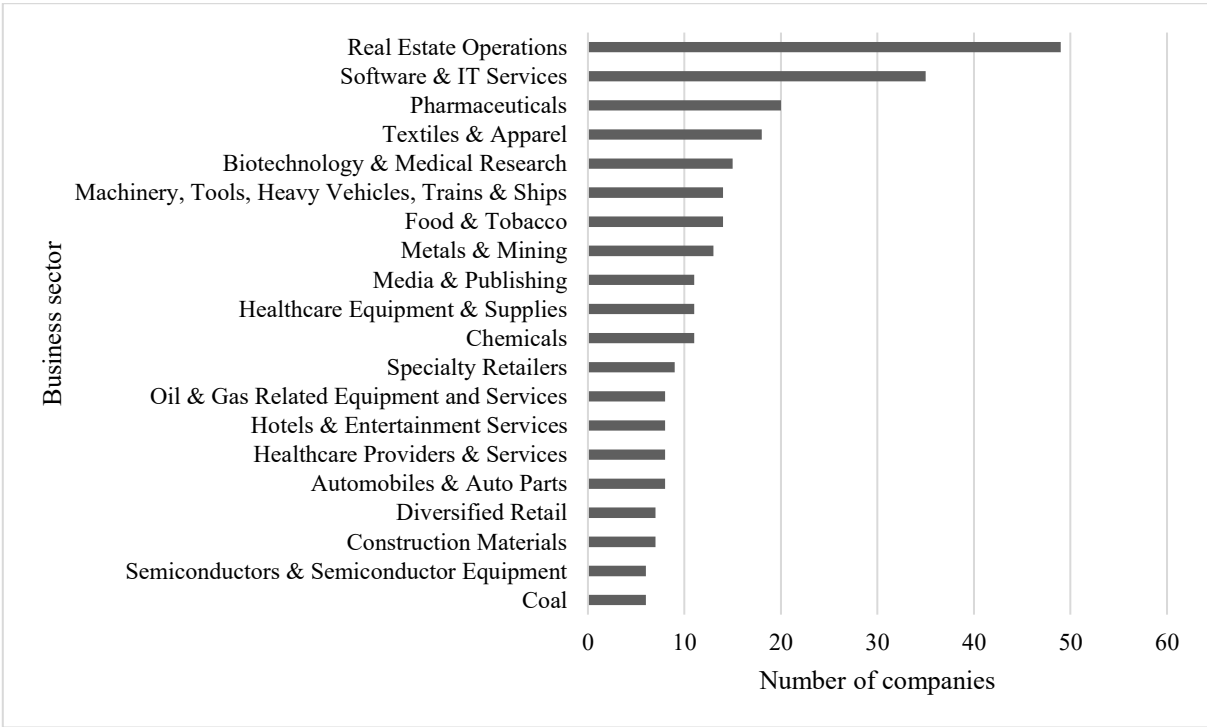
Chart 5.16. China as country of incorporation by sector of business activity



Source: own elaboration.

Comparing companies incorporated in China with those established offshore in so-called tax havens destinations reveals substantial differences in their business profiles and strategic motivations. Among firms incorporated directly in China, the banking sector is the most prominent: financial institutions constitute nearly 15% of all companies in this group that completed an IPO during the period under review. This overrepresentation reflects the structural characteristics of China’s financial system, where large state-affiliated banks and financial conglomerates frequently seek foreign listings to enhance credibility, expand access to international investors, and support cross-border operations.

Chart. 5.17. Offshore companies by sector of business activity



Source: own elaboration.

In contrast, companies that go public on the European stock markets through offshore exhibit a markedly different sectoral composition. The largest share of these firms operates in real estate, IT and pharmaceuticals industries that tend to be more dynamic, growth-oriented, and internationally mobile. The reliance on offshore structures among such firms can be attributed to several factors, including regulatory flexibility, simplified capital restructuring, and greater ease in executing international transactions. As noted in the report of Nindl *et al.* (2024), IT and pharmaceutical companies are typically characterised by intensive R&D activities in EU, which generate substantial financing needs and stronger incentives to raise capital on foreign exchanges.

**5.4. Summary**

Chinese companies have already been present on European stock exchanges in the form of listing for more than 25 years. After the opening up of the Chinese economy to global markets, Europe, and more precisely London, has become one of the first expansion destinations for Chinese companies. This is evidenced, for example, by SSE's conclusion of its first-ever MoU with the LSE. Also noteworthy are the stock connect programmes, e.g. London–Shanghai Stock Connect or Switzerland–Shanghai Stock Connect, which aim to strengthen cooperation and

facilitate companies' entry into the respective markets. The recent trend of an increasing number of Chinese IPOs on European stock exchanges, especially in the form of GDRs, is a confirmation of how these programmes operating. From 2020 to 2023, as many as 22 Chinese companies went public on the London and Swiss stock exchanges. Despite the lack of intended expectations for the scale of these links, the listing of Chinese companies in London and Switzerland in particular to date, which may confirm China's growing interest in accessing European capital.

In addition to their activity in the primary market, where they engage in IPOs and other forms of capital raising, Chinese companies are also significant active in the secondary market. These companies primarily dominate the stock exchanges in Germany and the LSE, where financial instruments from above 600 entities are offered. Additionally, shares of some companies are also available on smaller exchanges like Bulgaria, Budapest and Athens.

The scale of the presence of Chinese companies in Europe has fluctuated over the years and has shown similarities with the business cycle prevailing in Europe. Currently, there is a trend in the form of a declining of overall IPOs number in Europe. The European market, with its declining number of domestic IPOs, may therefore benefit from the interest of Chinese companies. In the long term, the growing cooperation with Chinese companies provides an opportunity to revitalize the European capital market. This represents an opportunity for its further development and the restoration of interest in IPOs. With China–US tensions rising and China's drive for global expansion, Europe also has a chance to increase its importance as a secure and stable investment market for Chinese companies, while helping to strengthen its own financial sector.

London, as Europe's largest financial centre, plays a key role on the map of China's strategic economic and financial relationship (Lai & Pan, 2021). The historical financial ties between the UK and China, strengthened by Hong Kong's former dependencies, provide an important foundation for Chinese investment and expansion into the European market. It is pointed out that Brexit could negatively affect bilateral relations between China and the UK. Recent studies show that the impact of Brexit on the Chinese stock market is doubtful (Ren, 2022), but the effects on London may be more noticeable (Lai & Pan, 2021).

Expanding into the European markets also presents major opportunities for China. As China's economy seeks to grow and compete with the technologically advanced US market, it requires access to foreign capital to develop and enhance its innovative sectors (Zhang, 2024). The ongoing US-China trade war and the fierce competition for global economic leadership have heightened investment risks for Chinese businesses operating in the U.S. This climate

underscores the necessity for Chinese companies to explore more stable and predictable markets. In this context, Europe, characterized by its relative stability and openness to collaboration, emerges as an attractive environment for Chinese firms aiming to expand and raise capital beyond US borders. Consequently, a growing Chinese economy, eager for further expansion, may regard the European market as a pivotal investment destination.

## CHAPTER 6

### Methodological framework of determinants of Chinese companies' listing in Europe

#### 6.1. Identification of the research gap and formulation of the research problem

Previous research on the motives behind the internationalisation of Chinese companies has focused primarily on analysing their presence on the world's most important stock markets – in the US, Hong Kong, Singapore and London (e.g., Zhang & King, 2010; Pan & Brooker, 2014; Liu *et al.*, 2017; Liu & Li, 2019; Wang *et al.*, 2023). In their research, most authors cover all Chinese companies going public abroad. This generalised method of selecting the research sample means that the analyses rarely consider the specific characteristics of individual markets. This limits the possibility of understanding the differences in the motives behind the decisions to place issues in these particular jurisdictions rather than others.

A several studies note that Chinese companies' decisions to enter foreign capital markets vary depending on the location of the IPO. This may indicate the existence of political, regulatory and cultural differences determining their choices (Zhang & King, 2010; Pan & Brooker, 2014). The review of empirical research presented earlier in this thesis confirms that researchers are most interested in US markets and the HKEX, which is consistent with the fact that these are the markets with the highest number of foreign IPOs involving Chinese companies. Some publications also include cases of IPOs in Singapore, which is also an important market for these companies due to its geographical and cultural proximity to China (Li *et al.*, 2019; Liu & Li, 2019; Wang *et al.*, 2023). Moreover, important European centres of capital including London (e.g., Zhang & King, 2010; Liu & Li, 2019; Allen *et al.*, 2024) and Frankfurt (Xu, 2014) also appear incidentally in the research, while the issue of the presence of Chinese entities on other European markets is not addressed in the literature.

The scale of presence of Chinese companies in specific European countries, and their issuance activity, have changed dynamically over the years (Pan & Brooker, 2014; Xu, 2014; Allen *et al.*, 2024). Their presence in European countries and their issuance activity was connected with political and regulatory changes on both the Chinese and European sides (Chan, 2005; Yang *et al.*, 2019). Nevertheless, the issue of the motives behind Chinese companies' decision to go public in Europe remains unexplored in the literature. There is a lack of in-depth

analysis considering the specific determinants of local choice, institutional conditions and the structure of debuting entities, including differences between private companies and SOEs.

An analysis of the nomenclature used in the cited studies indicates that the authors, focusing on the determinants of Chinese companies' entry into foreign markets, use a variety of terms. The authors refer to 'determinants' (Pagano *et al.*, 1995; Meluzin & Zinecker, 2015; Jackowicz *et al.*, 2016), 'motives' (Chemmanur *et al.*, 2008; Kim & Weisbach, 2008; Bancel & Mittoo, 2009; Grubisic Seba & Orsag, 2015; Huang & Zhang, 2022), as well as more generally about the reasons behind entering a particular market, or attempt to answer the question of why Chinese companies make such a decision. However, it should be borne in mind that the words determinants and motives are not synonymous in the context of stock exchange listing. Considering the discussion on the terms 'determinants' and 'motives' in subsection 2.2 of this thesis, after reviewing the literature, the terms 'determinants', 'motives', 'factors', 'drivers' will be used interchangeably.

This thesis provides a comprehensive analysis of the factors behind Chinese companies' decisions to conduct IPOs in Europe. It examines both internal factors, i.e. from a microeconomic perspective, and external factors, assessing the macro-institutional perspective. Taking into account both motives and determinants in the analysis of foreign issuance processes, allows for a more complete understanding of the complexity of Chinese companies' decisions to list on foreign stock exchanges, especially in the context of their functioning at the intersection of market and state logic.

Table 6.1 presents an overview of selected empirical studies on the determinants of Chinese companies' expansion into foreign stock markets. The studies included in the overview, published after 2010, focus on identifying the factors influencing Chinese issuers' decisions to enter foreign markets. The analysis covers both issues in the form of depositary receipts (ADR/GDR) and shares. The studies included in the Table 6.1 differ in terms of both geographical scope and methodological approach, which allows for a multifaceted view of the internationalisation of Chinese companies from the perspective of the capital market.

A review of the literature on quantitative research on the foreign expansion of Chinese companies reveals a significant research gap concerning European markets. Empirical analyses to date have focused mainly on the US markets and HKEX or have taken a broad global approach without distinguishing the specific characteristics of the European region. There is also a lack of research based on quantitative methods with a focus exclusively on Chinese IPOs in Europe, despite the growing presence of Chinese companies in this area.

Table 6.1. Review of empirical research on determinants of Chinese companies' entry into foreign stock exchanges

Stock markets	Year of the paper	Authors	Title	Research period	Research methods
US Hong Kong Singapore London	2010	Zhang & King	The decision to list abroad: The case of ADRs and foreign IPOs by Chinese companies	1993–2005	Multivariate probit model
Hong Kong	2011	Kung <i>et al.</i>	Overseas listing and accounting conservatism: evidence from Chinese H-share companies	2003–2008	Basu's conservatism model
Hong Kong London Frankfurt	2014	Xu	Why do small Chinese Firms List on the Frankfurt Stock Exchange	2011–2013	Multivariate probit analysis
US Hong Kong London	2017	Liu <i>et al.</i>	Does bonding really bond? Liability of foreignness and cross-listing of Chinese firms on International Stock Exchanges	2001–2012	Generalized method of moments (GMM) estimator The Arellano-Bover/Blundell-Bond estimator
US Hong Kong	2019	Li	Direct overseas listing versus cross-listing: A multivalued treatment effects analysis of Chinese listed firms	1997–2015	Multivalued treatment effects analysis IPWRA estimator
US Hong Kong Singapore London	2019	Liu & Li	Corporate governance and listing location of Chinese firms: The bonding theory revisited	2001–2012	The Cox Proportional Hazards (CPH) model The Arellano-Bover/Blundell-Bond estimator
US Hong Kong Singapore	2019	Li <i>et al.</i>	Overseas listing location and cost of capital: Evidence from Chinese firms listed in Hong Kong, Singapore, and the United States	2000–2012	Univariate analysis
Hong Kong US	2021	Cheng <i>et al.</i>	Cross-listing and dividend size and stability: evidence from China	2001–2005	Logit regression Tobit regression OLS regression
US Hong Kong Singapore	2023	Wang <i>et al.</i>	Overseas listing and earnings management methods selection	2012–2020	Difference-in-Differences (DID) method
US Hong Kong London Singapore Other	2024	Allen <i>et al.</i>	Dissecting the Long-Term Performance of the Chinese Stock Market	2000–2018	Weighted least squares regressions

Source: own elaboration.

Therefore this thesis addresses the research problem of understanding reasons influencing Chinese companies' decisions to choose the European stock markets for listing. It

explores both firm-level and external institutional determinants shaping these processes within the broader framework of company's internationalisation.

Considering the above, the following research question was asked: What are the determinants of Chinese companies entering stock markets in Europe? Identifying the factors that influence Chinese companies' decisions to enter European stock exchanges allows for a deeper understanding of the financial expansion strategies of companies from economies with different institutional systems. Furthermore, in an era of increasing globalisation and the growing importance of cross-border capital flows, understanding the mechanisms of enterprise internationalisation is becoming crucial to explaining their expansion strategies into foreign stock markets. Chinese companies are increasingly seeking access to capital outside their country, choosing European markets, among others, as a place to conduct IPOs. The process of raising capital is driven by a number of economic and institutional factors.

The aim of the study is to identify the factors determining the listing of Chinese companies on European stock exchanges through the issuance of equity securities on these markets. In an era of advancing globalisation, conducting an IPO abroad is becoming increasingly important (Irani *et al.*, 2023; Helbing & Lucey, 2024). Given China's growing position in international economic relations (Joseph, 2024, pp. 3–4), it is important to examine the motives which drive Chinese companies' decisions on the direction of their stock market expansion.

Over the past decades, China has transformed from a peripheral economy into the world's second largest economy, accounting for a significant share of global economic growth, international trade and cross-border investment (Baumann *et al.*, 2024; Joseph, 2024, pp. 16–17). With the development of the domestic private sector and the growing importance of Chinese corporations on the international stage, it has become a natural consequence that these entities are increasingly active on global capital markets. In this context, it is particularly important to examine the reasons why Chinese companies decide to list their shares abroad, including on European markets. It provides a better understanding of how the global ambitions of Chinese companies are being realised through their business strategies, as well as how interactions between the Chinese system and Western financial institutions are shaping contemporary capital markets. In addition, this analysis sheds light on China's growing influence on the architecture of the global financial order and on the mechanisms of adaptation between different economic models.

This study contributes to the literature in several respects. From a theoretical perspective, it builds on theories related to go public, which explains how companies choose

markets to raise capital efficiently. Examining these determinants is important both from a scientific perspective, through the development of the discipline of economics and finance, and in terms of its practical implications for the conduct of policy related to capital market development and the shaping of the regulatory environment. Identifying the factors determining the expansion of Chinese companies into European stock markets allows for a broader understanding of the motives behind the internationalisation of companies, capital raising strategies in different institutional environments, and the impact of regulatory, cultural and market factors on IPO location decisions. The analysis of these factors therefore allows for an assessment of the attractiveness of European capital markets from the perspective of entities from economies with a different institutional, ideological and political model, such as China. A comparative analysis of the determinants of Chinese companies' listings abroad with reference to the stock markets in the US and Hong Kong also allows for the identification of differences and similarities in the motives that guide companies when choosing the location of an IPO abroad. By analysing this topic more broadly, this study also provides a better understanding of the mechanisms of capital internationalisation in the context of increasing globalisation and the role played by geopolitics and institutional asymmetry between the issuer's country of origin and the target market.

From the perspective of regulators and capital market institutions in Europe, understanding the motivations of Chinese companies can provide a basis for designing effective policies in the areas of supervision, transparency and risk management. For investors, identifying the determinants of such decisions can be helpful in assessing the risk profile and potential of foreign companies listed on European stock exchanges. Finally, this topic fits into the broader context of research on transnational financing strategies, the influence of formal and informal institutions on corporate decisions, and the interpenetration of local and global financial structures.

This study is also important in contributing to fulfilment of a research gap by providing an in-depth analysis of the factors determining Chinese companies' entry into the European market. Focusing on the European market by considering only Chinese companies making their debut in Europe allows conclusions to be drawn about this geographical region. Furthermore, the use of research on the entry of Chinese companies into the US markets and the HKEX allows to identify the differences between these markets and the European markets and indicate what actually determines the choice of a specific geographical direction by Chinese companies.

The motives behind Chinese companies going public should be analysed through several complimentary lenses. In addition to the economic and financial context, which is important for

all companies seeking to finance their activities by offering equity securities in a public offering, the institutional context should also be taken into account. In the case of China, as a country with an authoritarian legal system, the political and legal context in which Chinese companies operate cannot be ignored. Factors that determine the shape of the stock market in China also translate into the strategies and business models of companies that decide to expand abroad. However, due to the unique institutional characteristics of the Chinese stock market, the motives for these companies to go public may be assessed differently than those of companies from other countries around the world that decide to debut abroad.

## **6.2. Hypothesis development**

The determinants of Chinese companies' decisions to go public on foreign capital markets are characterised by a significant degree of complexity and diversity. The literature on this subject indicates that the motives for internationalisation through the issuance of securities stem from many factors, both on the part of the issuer (Zhang & King, 2010; Han *et al.*, 2022) and the external environment (Chen, 2022; Lee *et al.*, 2023, pp. 45–46). On the one hand, these decisions may be related to the need to raise capital (Liu *et al.*, 2017; Zhao *et al.*, 2023), increasing international brand recognition (Li *et al.*, 2021; Xiong & Zhao, 2021) or improving corporate governance (Liu *et al.*, 2017). On the other hand, institutional, regulatory and geopolitical conditions in the host countries are also important (Kroeber, 2020, p. 175; Cao *et al.*, 2022), including the level of investor protection (Moore *et al.*, 2010; Mäntysaari, 2021, p. 272) and the transparency of legal regulations (Sundarsen *et al.*, 2017; Schnyder *et al.*, 2021; Macoris *et al.*, 2023). In the case of Chinese issuers, political factors and systemic constraints in the country of origin are also of additional importance. Many scientific studies point to the impact of Chinese government policies and their influence on the functioning and business activities of companies (Pan & Brooker, 2014; Liu *et al.*, 2017; Clifton & Díaz Fuentes, 2022). Thus, the analysis of these processes requires taking into account the multidimensional nature of decisions on foreign debut.

This diversity is also evident depending on the ownership structure. Private companies and those operating in high-tech sectors are more likely to decide to issue abroad, seeking better conditions for raising capital, a broader investor base and access to foreign knowledge and know-how (Wang *et al.*, 2023). Foreign markets offer higher standards of corporate governance and reporting, but the effects vary as not every form of cross-listing translates into higher valuations or better operating results (Li *et al.*, 2019). Institutional distance and the quality of supervision are among the factors that have an impact (Liu *et al.*, 2017). There are also

noticeable differences in dividend policy and financial performance management. Companies listed abroad are more likely to limit accounting manipulation, although they may engage in earnings management (Cheng *et al.*, 2021). Importantly, research shows that the motives for conducting an IPO vary depending on the market where these companies' debut (Zhang & King, 2010; Pan & Brooker, 2014).

In turn, the decisions of SOEs are based solely on economic or market considerations but are often embedded in a broader strategic and political context (Xiong & Zhao, 2021; Lockett & Leng, 2023). It is indicated in the indicates that the decisions of these companies are often the result of coordinated economic policy measures, whose priorities may include the internationalisation of selected strategic sectors or the testing of regulatory instruments (Li *et al.*, 2019; Liu & Dixon, 2021; Zhao, 2022; Zeitz, 2025). Consequently, the determinants of foreign IPOs by SOEs may include a set of other factors determining their internationalisation decisions, resulting from their specific role in the national economy.

Considering the above reservations, the motives for Chinese companies to list abroad may be named as complex and depend both on the characteristics of the target market and the internal conditions of the issuer, as well as, on the state policy pursued by the Chinese authorities. Taking into account the political and legal context of the companies' country of origin, as well as the geopolitical situation in which China finds itself, the following main research hypothesis has been formulated in this study:

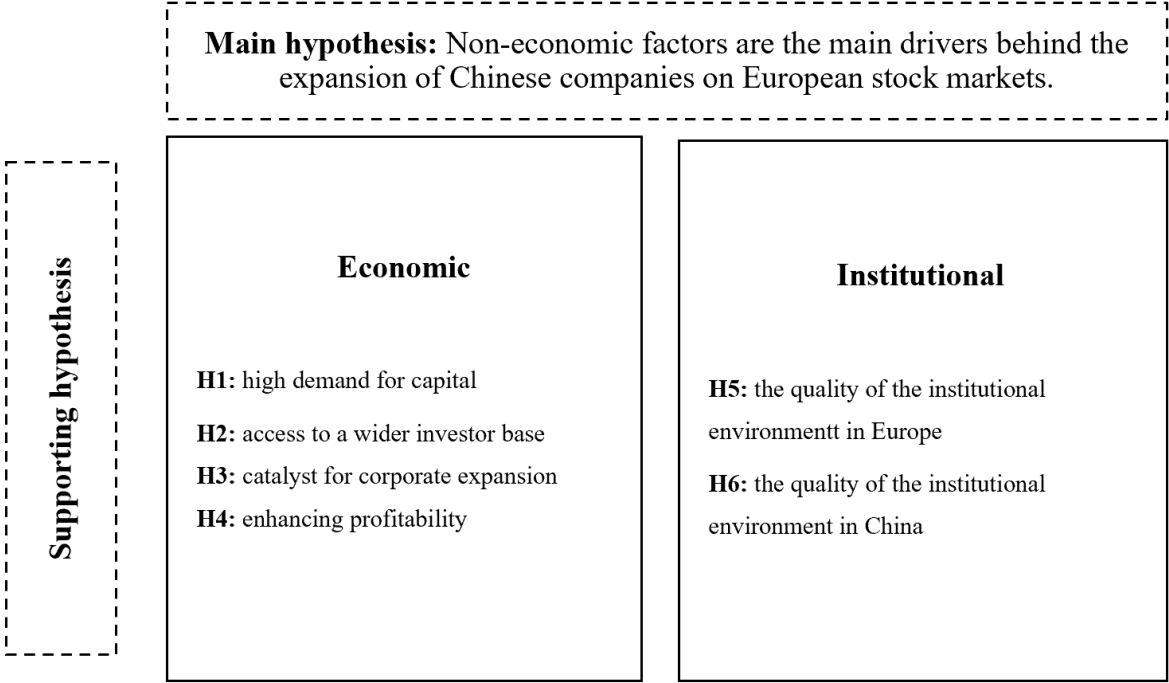
**Main hypothesis:** Non-economic factors are the main drivers behind the expansion of Chinese companies on European stock markets.

In order to verify the main hypothesis, the study also formulates supporting hypotheses aimed at a layered analysis of the motives behind Chinese companies' entry into foreign stock exchanges and to illustrate the multifaceted nature and diversity of the analysed motives, which is characteristic of the literature on the subject. The development of these hypotheses are presented in graphical form (see Chart 6.1).

As shown in Chart 6.1, the set of research hypotheses has been divided into two main groups corresponding to different aspects of the analysis of the process of Chinese companies entering European markets, i.e. economic and institutional. The first group of hypotheses, concerning economic factors, was empirically verified in Chapter 7, while the second group, covering institutional determinants, was discussed in detail in Chapter 8. The rest of this section presents individual hypotheses along with their theoretical justification, resulting from an analysis of the existing literature and the assumptions of the research model. The following

section provides a justification for the formulation of specific hypotheses, categorized into economic and institutional factors.

Chart 6.1. Research hypotheses on determinants of Chinese companies’ overseas listings



Source: own elaboration.

It is indicated in the literature that one of the motives for Chinese companies to list on the stock exchanges in Hong Kong, the US and Singapore is to raise capital (Chen *et al.*, 2023; Cui *et al.*, 2025). As indicated by the research of Cong *et al.* (2020), which compares Chinese companies debuting in China with Chinese companies debuting in the US and Hong Kong, companies debuting abroad raise more money than domestic counterparts.

The demand for capital is related to restrictions on its availability on the domestic market (Lei *et al.*, 2021). With the capital market developing, companies can count on the possibility of raising capital from the banking sector. In China, however, SMEs in particular face serious restrictions on access to bank credit. In particular, banking institutions in China, dominated by SOEs, often favour them at the expense of private companies, leading to credit discrimination. As indicated by the study by Lei *et al.* (2021), the key factors influencing credit availability are, first, the size of the company. Smaller companies find it difficult to provide reliable information about their financial condition due to a lack of transparency, which leads to information asymmetry between banks and companies. Secondly, the profitability of companies is an

important factor in banks' lending decisions. Banks allocate loans mainly to industries that are supported by state policy, and thus often to SOEs that implement this policy, even if they do not demonstrate high operational efficiency. As a result, private companies generally face greater difficulties in obtaining financing, which leads them to maintain high cash reserves as a survival strategy in the face of limited access to credit (Clifton & Díaz Fuentes, 2022).

Capital raising is especially important for high-tech companies, which are particularly significant to the Chinese authorities. These are mainly private companies that are highly capital-intensive and require large investments to finance their operations (Zhang & King, 2010). At the same time, these companies are growing very quickly, and any delay caused by the need to obtain approval from national authorities for their debut (usually 2 to 3 years) has a negative impact on their innovation (Cong & Howell, 2021). Changes in company management or business model may further extend this waiting period (Lee *et al.*, 2023). For this reason, these companies often decide to go public abroad (Cong *et al.*, 2020).

Moreover, companies in high-tech sectors have access to sensitive information (Parry & Bu, 2022). For these reasons, Chinese technology companies are a group of companies that most often make their stock market debut abroad, using a VIE structure that allows them to hide their actual ownership structure and the flow of capital between the shell companies that comprise it. As indicated by Li's research (2021), these entities enter the US market directly, without opting for cross-listing in another country. In contrast, if a company is wholly state-owned, it is more likely to list only in Hong Kong (Li, 2021). With regard to the European market, it is pointed out that this market offers Chinese companies an alternative to raising capital in a more regulated and transparent environment, which may be beneficial for their long-term development and international expansion (Xu, 2014).

Given the European context and the above reservations, which, as researchers point out, may differ from those in this study, the following hypothesis was formulated:

**H1:** Chinese companies decide to go public on European markets due to the high capital demand.

The Chinese stock market has been operating for just over 30 years and, despite its dynamic and systematic development, is still not perceived as fully developed compared to the world's leading stock markets (Zhang, 2022b, p. 75). One of the main factors limiting its maturity is state policy aimed at strong control over private capital, limited access to information and interference by state authorities in the activities of financial institutions and private enterprises (Lei *et al.*, 2021). Nevertheless, as the world's second largest economy

(Baumann *et al.*, 2024), China attracts foreign investors. As the trend in the private equity market shows, more foreign-owned private equity funds are to be established in Mainland China, potentially expanding the investor base and encouraging international investors to participate in the Chinese capital market (Fang *et al.*, 2023).

The decision to go public abroad is also related to restrictions on access to Chinese companies by foreign investors. In China, initiatives such as the B-share market, the QFII scheme and the stock connect programmes have provided greater access to foreign investors, but this access is still significantly limited (Piotroski & Wong, 2013, pp. 236–237; He & Wei, 2023). Since the opportunities for raising foreign capital in the country are limited, companies may seek alternatives abroad.

As indicated by Liu's research (2023), listing on the US stock exchange provides access to broader capital markets and a larger investor base, enabling not only an increase in the scale of financing but also an improvement in the liquidity of share trading. This was particularly important for Alibaba, an international e-commerce platform that wanted to increase its global presence and obtain international financing (Fried & Kamar, 2020; Shao *et al.*, 2025). This aspect is also important for listing in Hong Kong. It should also be emphasised that Hong Kong still ranks third in the Global Financial Centres Index as one of the world's largest financial centres after New York and London (Wardle & Mainelli, 2025), which, given the greater liquidity of financial instruments, also increases Chinese companies' interest in this market. Hong Kong is also a place where, unlike the domestic market, Chinese companies can use the VIE structure (Leung & Lei, 2023, pp. 691–692). Hong Kong also ensures full convertibility of RMB into HK dollars (Leung & Lei, 2023), which may also be a factor attracting financial involvement from investors.

Previous studies of the European market have not addressed the characteristics of this market which encourage Chinese companies to expand their investor base. Taking the above considerations into account, based on research conducted in other foreign markets and observations, the following hypothesis was adopted for empirical verification:

**H2:** The motive for Chinese companies to enter European stock exchanges is access to a wider investor base.

As indicated in the literature on the motives for going public, companies want to expand their existing activities by raising capital and increasing their recognition (Dodd, 2013, pp. 83–84; Bell & Rasheed, 2016, pp. 106–107; Bekaert & Hodrick, 2017, p. 536; Skalicka *et al.*, 2019; Da Rin & Hellmann, 2020, p. 421; Mäntysaari, 2021). According to the lifecycle

theory, becoming a public company means that the company enters the next stage of its development, i.e. it becomes a mature company, which often expands into foreign markets (Tupper & Mallon, 2022; Lefebvre, 2023). Research shows that IPO leads to their operational expansion through an increase in sales, the number of subsidiaries and the geographical scope of their activities (Larrain *et al.*, 2025).

Applying the above findings to the Chinese companies covered by this analysis, the study by Wang *et al.* (2023) should be pointed out. The research indicates that Chinese companies characterised by high operating growth are more likely to list overseas. Listing on a foreign capital market may therefore also be part of a strategy to build global recognition and prestige for Chinese companies (Wei *et al.*, 2022). It can also support the establishment of relationships with business partners, facilitate acquisitions and operational expansion in these markets (Liu *et al.*, 2024). Moreover, it leads to an increase in sales as can be seen in the example of e-commerce companies choosing the US market over the domestic market (Qian *et al.*, 2022; Cui *et al.*, 2025).

Starting the foreign expansion, companies' capital needs to increase, especially in the initial phase of internationalisation, when it is necessary to incur significant investment costs related to, among other things, entering new markets, adapting the product range, building a distribution network or meeting local regulatory requirements. For many companies, international expansion involves the need to obtain additional financing, which often leads to an increase in their total liabilities (Lefebvre, 2023). Research on the Chinese market indicates that ownership structure has a significant impact on debt. Government-controlled companies incur lower debt costs than private entities, which highlights the benefits of state ownership in the context of financing Chinese enterprises (Shailer & Wang, 2015; Li *et al.*, 2020).

The literature emphasises that one way of observing companies' activities in terms of their operational development and growth strategy is to analyse changes in the level of tangible fixed assets, recognised in the Property, Plant and Equipment (PPE) ratio. An increase in the value of PPE may reflect investments in new production lines, infrastructure development, geographical expansion or increased production capacity, and thus indicate an active development policy of the company (Cong & Howell, 2021). In the context of foreign expansion, including entry into capital markets outside the country, an increase in capital expenditure visible in the value of PPE may be considered a sign of a long-term growth strategy and an attempt to increase the operational capacity necessary to serve new markets. Therefore, the volatility of this indicator may be an important factor in assessing whether a given company

is implementing a development strategy in material terms, rather than solely in financial or formal and legal terms (Haman *et al.*, 2024).

Listing on a foreign stock exchange in connection with the expansion of a company's operations also leads to an increase in employment (Lefebvre, 2023). According to Zhang & King (2010) and Luo *et al.* (2012), Chinese companies listed on US stock exchanges are characterised by a larger scale of operations, measured by the size of their assets and the number of employees, and are more strongly represented in dynamically developing industries such as the internet, semiconductors, solar energy and communication technologies compared to companies listed exclusively on domestic markets. As research on the A-listed share market indicates, executives with overseas experience enhance labour investment efficiency, particularly in labour-intensive firms and those with significant R&D investment (Bai *et al.*, 2020; Li *et al.*, 2023).

Some authors in the literature highlight negative aspects of foreign listing for employees of Chinese companies. As indicated by Cui's research (2024), which examines Chinese companies using VIE structures on the US market, the complexities of VIE structures can lead to uncertainties regarding job security and employee benefits, as companies navigate regulatory risks and market conditions in the context of strained Sino-US relations. Furthermore, there is a risk of potential litigation in connection with securities misconduct, which may affect the employees of these companies as they may be involved in securities disputes. The enforcement of foreign securities judgments in China is complex, which affects the effectiveness of cross-border securities transactions and the protection of employee rights in this context (Huang & Gu, 2023).

In light of the above considerations, the research hypothesis is formulated as follows:

**H3:** Listing on European stock exchanges is a catalyst that facilitates Chinese companies' international operations.

It is indicated in the literature that entering foreign capital markets, especially in developed financial jurisdictions, can be a significant stimulus for improving a company's financial performance, including its profitability (Larrain *et al.*, 2025). Access to more liquid, transparent and efficient capital markets allows companies to reduce their cost of capital, increase operational efficiency and enhance their credibility in the eyes of investors. As a result, companies seeking to improve their competitive position and increase the efficiency of resource utilisation are more likely to opt for cross-listings or dual listings (Kesten, 2018, pp. 28–29; Da Rin & Hellmann, 2020, p. 421; Clifton & Díaz Fuentes, 2022).

However, empirical studies on companies from emerging markets, including China, yield mixed results. Some analyses confirm that listing on developed foreign stock exchanges promotes growth in return on assets and market value. According to Zhang & King (2010), Luo *et al.* (2012) and Humphery–Jenner (2012), Chinese companies that have decided to go public in the US show better financial results, including higher ROA and more dynamic market capitalisation growth, compared to companies listed only on domestic markets. These findings are also confirmed by more recent studies, including Orazalin & Akhmetzanov (2019), Li *et al.* (2021) and Wang *et al.* (2023). The literature also emphasises that SOEs achieve higher profitability when they engage in more diversified international activities and increase their involvement in foreign direct investment (Li *et al.*, 2018).

In contrast, there are also studies indicating that entering foreign markets may be associated with a short-term increase in financial risk. Newly listed companies often experience a deterioration in liquidity, a decline in retained earnings and an increase in financial leverage, leading to a temporary decline in profitability (Li *et al.*, 2018). At the same time, Allen *et al.* (2024) argue that Chinese companies listed exclusively on the domestic market achieve lower returns on equity and lower net cash flows compared to companies listed on foreign markets, confirming the long-term benefits of internationalisation of listings.

However, considering the prevailing views presented in the literature, it is assumed that listing on developed capital markets, such as European ones, may be seen by Chinese companies as a way to improve their financial performance, in particular profitability. In view of the above, the following research hypothesis has been formulated in this thesis:

**H4:** Chinese companies' decisions to go public on European stock markets are motivated by a need to increase profitability.

The decision to go public cannot be analysed in isolation from the institutional context, as it is a response by the company to stimuli from the external environment (Serdar *et al.*, 2024). This aspect has already been highlighted in institutional theory (DiMaggio & Powell, 1983), which was later also applied in the context of companies deciding to enter the public market. The influence of the institutional environment on Chinese companies' decisions to conduct IPOs is widely emphasised in the literature as one of the key factors determining this decision (Clarke, 2017, pp. 88–100; Li *et al.*, 2018; Lei *et al.*, 2021; Qiuyu, 2022; Parry & Bu, 2022). The choice of foreign capital markets by Chinese companies is largely determined by the quality and predictability of the local institutional environment.

According to the institutional approach, markets with strong formal institutions, such as independent financial supervisory authorities, an effective investor protection system and stable enforcement mechanism, reduce the operational and reputational risks associated with foreign listing. One theory explaining why companies choose to list abroad is the bonding theory (Coffee Jr., 1999). Several authors have conducted research to verify the bonding theory in relation to Chinese companies. The studies by Zhang and King (2010) and Luo *et al.* (2012) confirmed this theory in relation to these companies. However, recent studies point to different conclusions. Li *et al.* (2019) research on the presence of Chinese companies in China and Hong Kong did not confirm this theory. Such conclusions are presented in relation to Chinese US listings by Guo & Yi (2023) or Clarke (2017). It is also pointed out that IPO performance is also influenced by the area of institutional development from which Chinese companies originate (Colak *et al.*, 2021).

Regulatory stability, transparency of the legal system and effective enforcement of corporate governance rules are important factors attracting Chinese issuers to more developed and orderly jurisdictions. The authors point to the possibility of improving corporate governance practices (Luo *et al.*, 2012; Clarke, 2017, pp. 88–100; Chen *et al.*, 2023). A higher level of legal protection for investors, including minority investors. For these reasons, Chinese companies may choose more restrictive markets in this respect (Luo *et al.*, 2012; Chen *et al.*, 2020). Research on cross-listed Chinese companies in Hong Kong and Mainland China indicates that Chinese cross-listed companies in Hong Kong have different corporate governance practices in terms of board size and institutional ownership (Kim *et al.*, 2021). The literature also emphasises the impact of management education on the future direction of a company, including its listing on foreign stock exchanges. As indicated by the research of Bai *et al.* (2020), Chinese companies whose managing directors have foreign higher education are more likely to be listed abroad.

Given this, Chinese companies see going into markets with better institutions as part of their strategy to lower risk and build trust with international investors. This is confirmed by empirical research indicating that companies from emerging markets, including China, are more likely to choose jurisdictions with a higher level of shareholder protection and a stable regulatory environment, which is conducive to long-term capital raising (Licht, 2003; Doidge *et al.*, 2018). Research indicates that Chinese companies prefer markets with better institutional environments and lower institutional risks, both in terms of FDI (Wang *et al.*, 2022, pp. 355–356) and foreign listing (Bruton *et al.*, 2010; Meluzin *et al.*, 2021). A more favourable institutional framework could lead to better corporate governance and potentially improve firm

performance, as evidenced by the relationship between foreign ownership and various performance metrics (Luo *et al.*, 2012; Tsafack & Guo, 2021).

Overseas markets, including developed countries and the HKEX, provide a better institutional environment for Chinese companies due to stronger disclosure requirements and stricter regulations (Clarke, 2017, pp. 88–90). These markets have more effective market intermediaries, such as financial analysts and institutional investors, which enhance monitoring and improve information quality. The choice of a foreign stock market by Chinese companies is therefore related to geopolitical factors (Pan & Brooker, 2014; Liu *et al.*, 2017) and the evolving nature of international securities laws (Härtsch & Dedeyan, 2021; Mainous, 2023; Newman, 2024).

The institutional environment is also described by the cultural characteristics of a given society (Salerno, 2021; Tupper and Mehta, 2023). This theme is increasingly recognised in the literature when describing the determinants of foreign stock market listing (Gupta *et al.*, 2018; Salerno, 2021; Tupper & Mehta, 2023; Cieřlik & Sosnowski, 2024). The importance of this motive in the context of the expansion of Chinese companies can be seen in the role of Hong Kong in the IPO of companies from Mainland China. This market is treated by researchers as a foreign market for Chinese companies due to its administrative and legal distinctiveness (Kim *et al.*, 2021). The literature clearly indicates that financial and economic reasons are not the main motive for Chinese companies to list on the HKEX. The decisive factor is the cultural, linguistic and geographical proximity between Hong Kong and China (Pan & Brooker, 2014).

Despite the cultural and geographical proximity, an additional advantage of this destination is its more stable institutional environment. Thanks to its highly developed financial market, researchers define Hong Kong as a bridge between Mainland China and foreign markets. It is also a centre where it is easy to find politically connected Mandarin-speaking professionals who specialise in conducting initial public offerings in state-owned enterprises (Liu & Dixon, 2021), and the establishment of the Hong Kong-Shenzhen and Hong Kong-Shanghai stock connect schemes, facilitating the listing of companies from mainland China in Hong Kong are in fact the result of previously established relations.

Considering the observations made in the literature with regard to Hong Kong and other markets, the following research hypothesis was formulated in the study:

**H5:** The quality of the institutional environment of host markets constitutes an important determinant influencing Chinese companies' decision to list in Europe.

The institutional environment is understood as a set of formal rules established within public institutions (Moore *et al.*, 2010; Rivas & Adamúz, 2019; Sundarassen, 2019; Mehmood *et al.*, 2021; Meluzín *et al.*, 2021; Macoris *et al.*, 2023), as well as informal cultural and social norms, have a significant impact on strategic decisions of enterprises (Lewellyn & Bao, 2014; Gupta *et al.*, 2018; Postuła & Wąsowska, 2020; Salerno, 2021; Tupper & Mehta, 2023). The institutional environment not only affects the availability of capital (Sundarassen, 2019; Meluzín *et al.*, 2021), the level of investor confidence (Moore *et al.*, 2010; Mäntysaari, 2021, p. 272), or the cost of obtaining financing (Sundarassen *et al.*, 2017; Sundarassen, 2019; Cui *et al.*, 2021; Demir *et al.*, 2023), but also reflects broader conditions of legal governance (Cui *et al.*, 2021), regulatory transparency (Sundarsen *et al.*, 2017; Schnyder *et al.*, 2021; Macoris *et al.*, 2023) and economic stability (Colak *et al.*, 2021; Demir *et al.*, 2023).

The impact of the institutional environment on Chinese companies' decisions to go public abroad is also discussed in the literature from the perspective of state restrictions. These constraints are related to restrictive state regulations in this regard, high capital controls, limiting information flow policies, as well as regulatory instability and strong government interference in the private sector (Lei *et al.*, 2021). Research shows that financial considerations may not be decisive for Chinese companies due to institutional constraints (Humphery-Jenner, 2012; Piotroski & Wong, 2013, pp. 201–203; Pan & Brooker, 2014; Li *et al.*, 2018). As examples of national oil companies show, companies enter foreign markets with a specific purpose and then withdraw from them. The retreat from Western markets is not merely a response to deglobalisation but also a strategic move to address geopolitical tensions and support China's energy transition goals (Guo *et al.*, 2023).

In the context of Chinese companies' overseas listings, these restrictions stem from several aspects. First, there are concerns on the part of the Chinese government about the outflow of sensitive information about these companies (Parry & Bu, 2022, pp. 663–669). China has adopted regulations on cybersecurity, data security and personal data protection, which are designed to prevent the outflow of information that could undermine national security and interests, as well as destabilise the system adopted in China (Bu, 2025; USCC, 2025). These concerns are mainly related to the activities of Chinese technology companies, which are particularly responsible for the collection and processing of sensitive data. Secondly, these concerns also relate to the acquisition of ownership by foreign entities. In China, there are restrictions on foreign ownership (Mainous, 2023, pp. 1071–1073). By controlling entities entering the stock market, the Chinese authorities are also able to exercise greater control over the capital involvement of certain countries or economic entities in these companies (He & Wei,

2023). Thirdly, the aim of imposing restrictions on the possibility of issuing securities on foreign stock exchanges is to maintain control within the country. As an authoritarian state with elements of state capitalism, China pursues a centralised state policy. Therefore, the possibility of foreign IPOs is one of the tools used to pursue this policy, with the aim of maintaining supervision over strategically important companies and ensuring their compliance with national legal and ideological regulations (Su & Lim, 2022; Bu, 2025).

In discussing the impact of politics on Chinese companies' IPO decisions, the literature also draws attention to political connections and favouritism towards SOEs. Political connections are sometimes not direct (Joseph, 2024, pp. 20–27). In 2013, a regulation was adopted prohibiting politicians from sitting on company boards (Fan, 2021). However, this does not mean that politicians no longer have any influence on business. As Fan (2021) points out, the loss of a politician as a board member had a negative impact on stock returns and potential future profits. As pointed out by Lei *et al.* (2021), companies affiliated with the government or with links to members of the Communist Party are more likely to obtain loans because they provide banks with comprehensive information and are more likely to receive state support in the event of financial difficulties. Political connections are so important to most companies that they are willing to pay higher taxes for them, as the benefits they gain in the form of subsidies, e.g. outweigh the costs of taxation (Li & Wu, 2022; Fan & Chen, 2022). Political connections between the state and SOEs facilitate preferential access to key inputs and policy opportunities, which are crucial for overseas expansion. These connections also help SOEs to navigate the complex regulatory environments in host countries (Han *et al.*, 2022; Qiuyu, 2022).

When analysing the determinants of Chinese companies' decision to go public overseas, it is also important to point out the effects of these constraints resulting from the political and legal situation in China. As indicated above, Chinese companies seeking to go public overseas face a complex array of legal constraints, primarily due to the intricate regulatory environment. The effects of these legal restrictions in the country include attempts to circumvent them, e.g. by establishing offshore companies in tax havens and VIE structures (Shi, 2014, pp. 1274–1277; Chen, 2022; Cui *et al.*, 2025). These constraints are shaped by China's domestic legal framework and motivate foreign listing.

To analyse the motives behind Chinese companies listing on foreign stock exchanges, it is important to consider the conditions for conducting IPOs in China. Researchers of the Chinese IPO market point to restrictions on Chinese companies' access to the stock market (Pan & Brooker, 2014). This applies in particular to companies operating in so-called sensitive sectors. It is precisely because of the particularly strict restrictions imposed on companies

operating in these sectors (e.g., telecommunications, Internet) that companies adopt a VIE structure, which is designed to circumvent them (Shi, 2014, pp. 1274–1277; Chen, 2022; Mainous, 2023). This structure, whose legality is questionable, is very often used by companies to enter stock exchanges in the US and Hong Kong. According to data as of 7 March 2025, 56% of Chinese companies listed on the three largest US stock exchanges used this structure, with a market capitalisation representing 91% of all Chinese companies listed on US markets. Chinese companies also try to circumvent restrictive rules in China by buying shell companies that are already listed on a given stock exchange (Liu *et al.*, 2019).

Researchers also point to legal burdens and uncertainty associated with obtaining approval for an IPO as motives for Chinese companies to go public, whether domestically or abroad. As indicated by research by Luo *et al.* (2012) and later by Li *et al.* (2021), politically connected companies are more likely to obtain a positive decision on their IPO. Furthermore, an additional motive is the uncertainty as to when these companies can expect a decision on their IPO (Lee *et al.*, 2023). As pointed out by Liu (2023), the transparency of the IPO process was one of the main reasons why Alibaba decided to debut on the NYSE in 2014 rather than on one of the Chinese stock exchanges. The latest example is the Chinese company Shein, which intended to list on the NYSE or LSE, but eventually such a listing did not take place due to the lack of consent from the CSRC (Milhaupt & Ringe, 2025).

It should be bear in mind that the decision to avoid the institutional constraints in China by going public abroad is also costly for companies. As research shows that between 2007 and 2020, unlisted firms in China, on average, paid in excess of \$500 million to the owners of listed companies in exchange for the value of their listing status (shell value). This represents approximately 22–31% of the market value of an average listed company (Lee *et al.*, 2023). The lack of transparency in IPO decisions is also highlighted in research by Li *et al.* (2021), which indicates that negative media reports about a company have a negative impact on the possibility of obtaining a positive IPO decision, and political connections may facilitate obtaining such approval.

In light of the above research, the following research hypothesis was formulated:

**H6:** The institutional environment in China, especially regulatory and political aspects, plays an important role in shaping Chinese companies' decisions to seek listings on European stock market.

The presented literature review has enabled the formulation of research hypotheses that reflect both the existing scientific achievements and the identified research gaps. The next part

of the thesis presents the research methodology that enables empirical verification of the proposed research assumptions.

### **6.3. Characteristics of the research sample**

The previous chapter of this thesis presented in detail the scale and characteristics of Chinese companies' presence on European stock markets. For the purposes of empirical analysis, a systematic review of all regulated stock markets in Europe was first conducted to identify Chinese companies listed on them. This process covered both major stock markets and alternative markets. Based on the adopted definition of a Chinese company, a total of 179 entities were identified between 2001 and 2023, listed on the following markets: LSE, Boerse Berlin, Boerse Stuttgart, FSE, Euronext Paris, Euronext Milan, Euronext Brussels, Swiss SE, Warsaw Stock Exchange, Nasdaq Nordic, Vienna Stock Exchange.

The analysis showed that although Chinese companies are present on many European stock exchanges, their presence is often scattered and incidental. In the case of many public markets, debuts took place only once or were limited to a few cases during the analysed period. It is particularly observed in the case of alternative markets. An additional research challenge was the incomplete availability of financial and corporate data for some issuers, which consequently led to the exclusion of some entities from further stages of the analysis.

In view of the above limitations, methodological assumptions were adopted in the design of the research sample to maintain a balance between the representativeness of the sample and the quality and availability of data. The sample was therefore tailored to the objective of the study, while taking into account the specific characteristics of European stock markets and the nature of Chinese issuers present on them.

The method used in the study is Propensity Score Matching (PSM). It was introduced by Rosenbaum and Rubin (1983) in their groundbreaking publication as a response to the challenges associated with sample selection and ensuring greater comparability between the groups studied. This statistical technique allows for the selection of control group units that are as similar as possible to the treatment group units in terms of the set of observed characteristics (Rosenbaum & Rubin, 1983). This method has found particular popularity in medical sciences (Wang, 2020; Zhao *et al.*, 2021; Chen *et al.*, 2022; Murphy *et al.*, 2023), but is also widely used in economics, finance and management research (Meles *et al.*, 2021; Wang *et al.*, 2021; Guarini *et al.*, 2025; Tao & Ren, 2025; Ullah *et al.*, 2025), psychology and pharmacology (Chen *et al.*, 2022).

The main goal of PSM is to create statistically comparable groups, i.e. experimental and control, that differ only in their treatment status, not in their observable characteristics. To

achieve this, a so-called propensity score is estimated for each unit. The propensity score is the probability of being assigned to the experimental group, conditioned by a set of covariates (Benedetto *et al.*, 2018; Wang, 2020). Then, units with similar values of this probability are matched, which allows for the elimination of at least part of the error resulting from non-random selection (Rosenbaum & Rubin, 2023). As emphasised by Imbens and Rubin (2015), PSM reduces disparities in the distribution of confounding variables between the groups being compared, thereby bringing the study closer to quasi-experimental conditions.

In formal terms, let  $G_i \in \{0,1\}$  denote a binary variable, where  $G_i = 1$  if Chinese company  $i$  has conducted an IPO on the European market, and  $G_i = 0$  if it has conducted an IPO on the Chinese market. Furthermore, let  $X_i$  denotes a vector of control variables describing the company. The study uses an approach that matches companies from the treatment group (IPOs of Chinese company in Europe) to control companies (IPOs of Chinese company in China) with a similar vector of characteristics  $X_i$ , which ensures one of the basic conditions of this method, i.e. the conditional independence assumption, which can be written as:

$$(D_i(1), D_i(0)) \perp G_i \mid X_i, \quad (1)$$

where  $D_i(1)$  and  $D_i(0)$  denote the ‘potential outcomes’ for experimental and control groups.

The second assumption of the PSM method is common support (overlap) ensuring that for each covariate profile, there exist comparable firms in both experimental and control groups:

$$0 < P(G_i = 1 \mid X_i = x) < 1 \quad \forall x \in X_i. \quad (2)$$

The essential element of the PSM method is the estimation of the so-called propensity score, i.e. the probability of belonging to a group conditioned by variables  $X_i$ :

$$p(X_i) = P(G_i = 1 \mid X_i). \quad (3)$$

This is the conditional probability that a variable  $G_i = 1$  (Chinese company that has decided to go public on the European stock market) takes the value 1, conditionally based on a vector of characteristics  $X_i$ . In this study, the value  $p(X_i)$  was estimated using a logistic regression model:

$$\log\left(\frac{p(X_i)}{1 - p(X_i)}\right) = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \dots + \beta_k X_{ki}, \quad (4)$$

where  $X_{ji}$  are individual control variables,  $\beta_0$  is the intercept, and  $\beta_j$  are the corresponding parameters.

The propensity score for the unit is then:

$$\hat{e}(X_i) = \frac{\exp(\beta_0 + \sum_{j=1}^k \beta_j X_{ij})}{1 + \exp(\beta_0 + \sum_{j=1}^k \beta_j X_{ij})}. \quad (5)$$

The matching was performed using the nearest neighbour with calliper method. Calliper, also known as match value, means that units from the control group are matched to units from the experimental group based on the maximum acceptable difference between the propensity scores of the matched units. If a unit in the experimental group does not have a counterpart in the control group that differs from it by the maximum match value, that unit remains unmatched.

Mathematically, this can be expressed as the control unit being selected only if:

$$|\hat{e}(X_i) - \hat{e}(X_j)| < \delta, \quad (6)$$

where  $\delta$  is the maximum permissible difference threshold (match value).

There may be doubts as to how match value is determined. It is indicated in the literature that one way of determining match value is to make it dependent on the researcher's discretion (Wang, 2020). In this type of research, the most commonly accepted match values are between 0.01 and 0.2 (Wang, 2020; Wan, 2025), with 0.2 often recommended because it balances the trade-off between reducing systematic error and maintaining sample size, regardless of the subject of the study (Wang *et al.*, 2013; Benedetto *et al.*, 2018; Wang, 2020).

The quality of the fit was assessed using the Standardised Mean Difference (SDM) indicator, which measures the difference between the means of the groups in relation to the sample variance. Standardised mean differences between the compared groups (SDM) were calculated according to the formula (Zhao *et al.*, 2021):

$$SDM = \frac{\bar{X}_T - \bar{X}_C}{\sqrt{\frac{Var_T + Var_C}{2}}}, \quad (7)$$

where  $\bar{X}_T, \bar{X}_C$  denote the mean values of the variable in the treated and control groups, respectively, and  $Var_T, Var_C$  denote their sample variances.

In order to assess the quality of the match between observations after applying the PSM method, an analysis of probability distributions for propensity scores in the experimental group ( $G_i = 1$ ) and the control group ( $G_i = 0$ ) was also performed. The distributions were estimated using the non-parametric Kernel Density Estimation (KDE) method widely used in the literature (Wang *et al.*, 2021; Tao & Ren, 2025; Ullah *et al.*, 2025), which was recorded in the equation as follows (Ding *et al.*, 2025):

$$\hat{f}_i(0) = \begin{cases} Y_i & \text{if } G_i = 0, \\ \frac{\sum_{j:G_j=0}^N Y_j K\left(\frac{p(X_j) - p(X_i)}{h}\right)}{\sum_{j:G_j=0}^N K\left(\frac{p(X_j) - p(X_i)}{h}\right)} & \text{if } G_i = 1, \end{cases} \quad (8)$$

$$\hat{f}_i(1) = \begin{cases} \frac{\sum_{j:G_j=1}^N Y_j K\left(\frac{p(X_j) - p(X_i)}{h}\right)}{\sum_{j:G_j=1}^N K\left(\frac{p(X_j) - p(X_i)}{h}\right)} & \text{if } G_i = 0, \\ Y_i & \text{if } G_i = 1 \end{cases} \quad (9)$$

where  $\hat{f}_i(0), \hat{f}_i(1)$  is the estimated counterfactual outcome for treated unit  $i$ ,  $K(\cdot)$  is a kernel function assigning weights based on the proximity of propensity scores,  $h$  is the bandwidth parameter that controls the degree of smoothing.

The analysis used the Euclidean method to select the bandwidth. This study also employs the Epanechnikov kernel, which is effective kernel functions used in KDE. This kernel was selected due to its favourable statistical properties, as it is considered to be the most efficient, providing more accurate estimates in small samples (García-Portugués, 2025).

Using the above method, in the study pairing Chinese companies going public in Europe (experimental group) with their closest Chinese counterparts going public in China (control group) in 2002–2023. Table 6.2 presents a summary of the number of companies initially identified in each geographical area, eliminated due to incomplete data, and those that were finally included in the quantitative analysis.

Table 6.2. The selection of companies to run PSM

Step	Criteria	Chinese IPOs in Europe	Chinese IPOs in China		
		Total	Total	SSE	SZSE
I	No. of identified companies	179	4119	1711	2408
II	No. of companies removed due to the lack of data	30	107	103	4
III	No. of companies used in PSM method	149	4012	1608	2404

Note: Chinese IPOs in Europe were conducted on the following stock exchanges: LSE, FSE, Berlin SE, Stuttgart SE, Euronext Paris, Euronext Belgium, Euronext Milan, Swiss SIX Exchange.

Source: own elaboration.

In the context of international IPOs of Chinese companies, the decision to choose a market (European or domestic) is not accidental – it may be determined by many different factors. Ignoring these factors would lead to the erroneous attribution of the effect of the ‘treatment’ itself (i.e. IPO in Europe) to differences resulting from different company profiles. The selection of the control variables used in this study is described in Table 6.3.

Table 6.3. Control variables used in the PSM method

Control variable	Code	Description	Source
Market capitalization	<i>lnMC</i>	Logarithm of issue market capitalization at the IPO date in EUR million	LSEG Workspace
Industry	IND	Primary North American Industry Classification System (NAICS) industry group description	LSEG Workspace
Company age	CA	Square root of the difference between a company's incorporation year and its IPO year	Own calculation based on LSEG Workspace data
IPO year	Year	Year when company went public	LSEG Workspace, Orbis, other publicly available data (e.g., stock exchange websites)

Source: own elaboration.

The adoption of these variables was based on a review of the literature (Lefebvre, 2023) and the availability of data on Chinese companies debuting in Europe. In order to apply PSM, variables cannot contain missing data (Zhao *et al.*, 2021). For this reason, additional variables could not be adopted, as this would significantly limit the number of companies belonging mainly to the experimental group. For example, an attempt was made to collect data on employment, i.e. the number of employees at the end of the calendar year of IPO. The data collected from two databases (LSEG Workspace and Orbis) did not cover 58 companies. As a result, the group of companies included in this study would have to be reduced from 149 to 91. Furthermore, the availability of data for the year prior to the IPO was also analysed, but due to the lack of reporting of this data by the companies, it was not possible to collect it either. Therefore, it was decided to limit the control variables to those listed in Table 6.3.

Next, in order to check the significance of the control variables in the selection of pairs, a Wald test was performed. While the Wald test is primarily designed for random samples, it is considered that the analysed time segment of data can be treated as reasonably representative of the broader population. The results of Wald test are presented in Table 6.4.

Table 6.4. Wald test for control variables

Specification	$\beta$	S.E.	Wald Statistic	p-value	Exp( $\beta$ )
Year	-0.081	0.019	17.096	0.000	0.923
<i>lnMC</i>	-1.120	0.092	149.745	0.000	0.326
CA	-0.495	0.094	27.514	0.000	0.610
IND	0.000	0.000	0.135	0.713	1.000
Intercept	167.364	39.159	18.266	0.000	4.843

Note: Year – IPO year, *lnMC* – market capitalisation, CA – company age, IND – industry, S.E. – Standard Error. Source: own elaboration.

The results indicate that the variables Year, *lnMC* and CA have a significant impact on belonging to the study group (p-value < 0.001). The corresponding coefficient values suggest that an increase in the *lnMC* variable significantly reduces the probability of belonging to the treated group ( $\beta = -1.120$ ), similarly to the CA variable ( $\beta = -0.495$ ). The variable Year also has a negative effect on the probability of belonging to the study group ( $\beta = -0.081$ ), which may indicate a certain time trend in the sample structure.

The variable relating to belonging to a specific industry (IND) proved to be statistically insignificant (p-value = 0.713), which means that it does not significantly differentiate companies in terms of belonging to the treated group. In PSM, it is not necessary for every variable to be significant. It is more important that the groups are equivalent in terms of all variables after matching. The analysis indicates that removing this variable renders the remaining variables in the model statistically insignificant. Nevertheless, due to the potential theoretical significance of this variable, it may be included in further stages of the matching analysis in order to improve the balance of covariates (Caliendo & Kopeinig, 2008).

The standard error (S.E.) reflects the level of uncertainty in the estimation of the regression coefficient, indicating how much it may differ from the actual value of the parameter. The low standard error values observed in most cases in the table indicate high precision in the estimation of the coefficients and increase the reliability of the results obtained.

Notwithstanding the above assumption presented in the literature, this study additionally made several attempts to match Chinese companies from China with Chinese companies debuting in Europe based on several match values ranging from 0.01 to 0.3 and based on various parameters, as presented in Table 6.5.

Table 6.5. Comparison of PSM matching effects for different match values

Model	Match value	Matches	Unmatched	Rejection %
I	0.01	65	84	90.381
II	0.015	67	82	87.421
III	0.1	83	66	73.557
IV	0.15	84	65	67.027
V	0.2	91	58	65.437
VI	0.25	97	52	61.517
VII	0.3	101	48	56.081

Source: own elaboration.

The optimal match value was set at 0.2 after analysing the matching results, using the matching algorithm without replacement with randomisation of units in the case of multiple

potential pairs. The selected value ensured the best balance between the number of matched observations and the quality of the match. Attempts to use higher match values ( $\delta > 0.2$ ) did indeed increase the number of matched units, but led to a deterioration in the quality of the match, i.e. observations that differed significantly in terms of key characteristics were paired together. This indicated that the matching criterion was too liberal, increasing the risk of combining units with incomparable characteristics, which could reduce the reliability of further analyses. For this reason, a match value of 0.2 was considered a compromise solution, ensuring an adequate sample size after matching while maintaining high pairing quality.

In order to verify the good fit of the match value, balance tests were performed to verify the correctness of the variable matching before and after the application of PSM. Table 6.6 presents the results of the Omnibus Test of Model Coefficients. This test assesses whether the inclusion of explanatory variables in the model significantly improves its fit compared to the null model, which does not contain any predictors.

Table 6.6. Test of model coefficients

Model component	Chi-square Statistic	df	p-value
Step	505.664	4	< 0.001
Block	505.664	4	< 0.001
Model	505.664	4	< 0.001

Source: own elaboration.

The obtained Chi-square statistic value was  $\chi^2 = 505.664$  with 4 degrees of freedom, which corresponds to the number of independent variables included in the model. The significance value at 1% difference indicates that the difference between the null model and the model with predictors is statistically significant. This means that the explanatory variables introduced into the model have a significant impact on the dependent variable, and thus the model is well-fitted to the data. Therefore the results confirm that the introduction of explanatory variables significantly increases the accuracy of the dependent variable prediction.

At a subsequent stage of the estimation procedure, tests were conducted to assess the balance and quality of the model's fit to the empirical data. Detailed results of the fit tests are presented in Table 6.7.

The value of -2 Log Likelihood was 779.145, which indicates a relatively good fit of the model to the data compared to the model without predictors. Pseudo-coefficients of determination were also calculated to assess the quality of the model. The Cox & Snell  $R^2$  value

was 0.114, which means that approximately 11% of the variance of the dependent variable is explained by the covariates included in the model.

Table 6.7. Balance tests

Step	-2 Log Likelihood	Cox & Snell R Square	Nagelkerke R Square
1	779.145 <sup>1</sup>	0.114	0.431

<sup>1</sup>Estimation terminated at iteration number 8 because parameter estimates changed by less than 0.001.

Source: own elaboration.

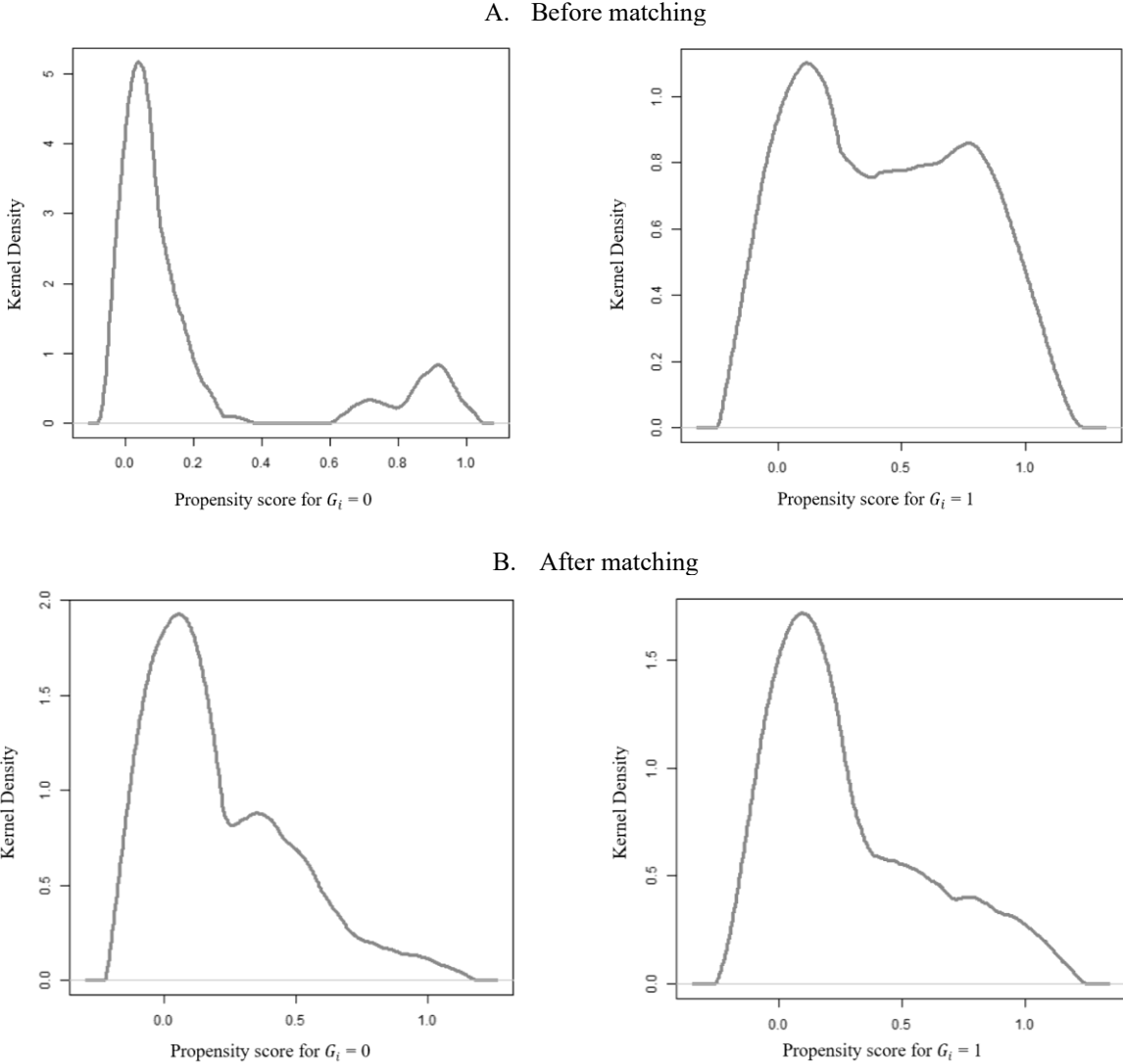
However, due to the limitation of this measure (not extending the maximum value of 1), a more interpretable indicator is Nagelkerke R<sup>2</sup>, which reached a level of 0.431. This means that the model explains approximately 43% of the variance in the unit's membership in the treated group, which in the context of logistic models should be considered a moderately good value, providing sufficient predictive power to determine the propensity score. It is assumed that if this value is in the range of 0.2–0.5, it indicates a good fit of the data to the model (Murphy *et al.*, 2023; Guarini *et al.*, 2025). This result is all the more satisfactory given the very significant limitations in data collection. The model completed its iteration at step eight, as further changes in parameter estimators were less than 0.001, indicating stability of the estimation. These results confirm that the model has adequate ability to differentiate between treated and control units based on the available covariates.

To assess the goodness of fit, the SDM was calculated using the formula given above. For the control group, the difference in means was 0.3713, and for the treatment group, it was 0.3788. In turn, the sample variance in the treatment group was 0.0956, and in the control group, it was 0.0991, which gives an SMD value of  $\approx 0.024$ . This level is considered low in the literature (below the threshold of 0.1, which is already considered very restrictive), indicating a high degree of balance between the groups after matching (Zhao *et al.*, 2021).

Next, the quality of the fit of the probability distributions for the propensity scores in the experimental and control groups was assessed using KDE. This method made it possible to smooth the propensity score distributions in both groups and compare them visually on a single graph. The results are presented in Chart 6.2.

Applying the estimated densities enabled direct assessment of the degree of overlap between the distributions in the experimental and control groups. The greater the similarity in the shape and position of the distributions, the better the fit between the observations in the groups, which indicates the effectiveness of the adjustment.

Chart 6.2. Comparison of treatment and control groups before and after matching



Source: own elaboration.

The results presented in the graph indicate that after matching, the propensity score distributions in groups  $G_i = 0$  and  $G_i = 1$  show significant similarity, which confirms the correctness of the PSM procedure and allows for further conclusions to be drawn assuming a reduced influence of confounding variables.

**6.4. Rationale for selection of variables for the model and source of data**

In order to verify the research hypotheses, explanatory variables were identified and selected, allowing for the assessment of factors determining the choice of location for an IPO. The selection of variables was preceded by a multi-threaded analysis of the literature, with particular emphasis on studies concerning Chinese companies' decisions to go public on foreign stock markets. The selection of variables also embraces a general theoretical and empirical models of

the internationalisation of companies through capital markets. The decision to conduct an IPO on the European stock market results, among others, from internal factors related to the financial and organisational profile of the company. Consequently, a set of variables was adopted which, in previous studies, were significant predictors of internationalisation through IPOs. In addition, indicators allowing for the assessment of financial results after the IPO were included, which makes it possible to test hypotheses concerning the impact of foreign listing on performance.

Table 6.8 presents a detailed summary of variables included in the empirical analysis. For each variable, its full name, operational definition and the sources of data are provided.

Table 6.8. The description of dependent variables

Hypothesis	Variable	Abbr.	Definition	Source
H1	Total assets	TA	It represents the sum of total current assets, long term receivables, investment in unconsolidated subsidiaries, other investments, net property plant and equipment and other assets	Worldscope
	Property, plant and equipment / Total assets ratio	PPE/TA	Ratio of PPE to TA of company	Worldscope
	Quick ratio	QRT	It is calculated as follow: (Cash & Equivalents + Receivables (Net)) / Current Liabilities-Total	Datastream
	Total liabilities / Total assets	TL/TA	Ratio of TL to TA of company	Worldscope Datastream
H2	Free float	FF	The free float number of shares represents the total amount of share capital freely available to ordinary investors and is expressed as a percentage of total number of shares.	Datastream
	Dividend yield	DIV	Expresses the dividend per share as a percentage of the share price	Worldscope
	Shares outstanding	SHO	Represents the number of shares outstanding at the company's year-end. It is the difference between issued shares and treasury shares.	Worldscope
H3	Net sales or revenues	SAL	Represents gross sales and other operating revenue less discounts, returns and allowances.	Worldscope Orbis
	Total liabilities	TL	Represents all short- and long- term obligations expected to be satisfied by the company.	Datastream
	Employees number	EMP	Number of both full and part time employees of the company	Worldscope Orbis
	Property, plant and equipment	PPE	Represents Gross PPE less accumulated reserves for depreciation, depletion and amortization	Worldscope
H4	Return on assets	ROA	ROA using Profit (Loss) before tax	Orbis
	Return on equity	ROE	Calculated as: Net Income – Bottom Line – Preferred Dividend Requirement) / Average of Last Year's and Current Year's Common Equity *100	Worldscope
	EBIDTA	EBT	Represent the earnings of a company before interest expense, income taxes and depreciation. It is calculated in euro by taking the pre-tax income and adding back interest expense on debt and depreciation, depletion and amortization and subtracting interest capitalized.	Worldscope

Source: own elaboration.

The variables were selected after a detailed analysis of the literature on the subject. Table 6.9. summarises the variables used in this empirical study. Each variable is assigned to a specific research hypothesis, which allows for a transparent link between the variable and the theoretical area under study.

Table 6.9. Review of literature on variables used in empirical research

Variable	Previous research	Hypothesis	Direction
TA	Sun <i>et al.</i> (2008), Zhang & King (2010), Humphery-Jenner (2012), Kung & Cheng (2012), Xu (2014), Peng <i>et al.</i> (2015), Li (2019), Allen <i>et al.</i> (2024)	H1: demand for capital	increase
PPETA	Zhang & King (2010), Xu (2014), Shailer & Wang (2015)		
QRT	Sun <i>et al.</i> (2008), Ming <i>et al.</i> (2013), Rugman <i>et al.</i> (2016), Shao <i>et al.</i> (2025)		
TLTA	Sun <i>et al.</i> (2008), Zhang & King (2010), Humphery-Jenner (2012), Xu (2014), Liu <i>et al.</i> (2017), Li (2019), Liu & Li (2019), Li <i>et al.</i> (2019), Tsafack & Guo (2021), Hussain <i>et al.</i> (2023), Wang <i>et al.</i> (2023), Allen <i>et al.</i> (2024)	H2: investor base	increase
FF	Ding <i>et al.</i> (2010), Tsafack & Guo (2021)		
DIV	Wang & Zhou (2013), Huang & Zhu (2015), Cheng <i>et al.</i> (2021),		
SHO	Wang & Zhou (2013), Tsafack & Guo (2021), Hussain <i>et al.</i> (2023)	H3: business expansion	increase
SAL	Zhang & King (2010), Humphery-Jenner (2012), Kung & Cheng (2012), Wu (2013), Xu (2014), Shailer & Wang (2015), Li (2019), Wang <i>et al.</i> (2023), Allen <i>et al.</i> (2024)		
TL	Zhang & King (2010), Xu (2014)		
EMP	Wu (2013), Lefebvre (2023)		
PPE	Shailer & Wang (2015), Cong & Howell (2021)		
ROA	Sun <i>et al.</i> (2008), Zhang & King (2010), Humphery-Jenner (2012), Ming <i>et al.</i> (2013), Xu (2014), Huang & Zhu (2015), Peng <i>et al.</i> (2015), Shailer & Wang (2015), Rugman <i>et al.</i> (2016), Li (2019), Tsafack & Guo (2021), Hussain <i>et al.</i> (2023), Shao (2023), Wang <i>et al.</i> (2023), Allen <i>et al.</i> (2024),		
ROE	Sun <i>et al.</i> (2008), Huang & Zhu (2015), Peng <i>et al.</i> (2015), Cheng <i>et al.</i> (2021), Tsafack & Guo (2021), Shao (2023); Allen <i>et al.</i> (2024)		
EBT	Meles <i>et al.</i> (2021), Allen <i>et al.</i> (2024)		

Note: TA – total assets, PPE – property, plant, equipment, QRT – quick ratio, TLTA – financial leverage, TL – total liability, FF – free float, DIV – dividend yield, SHO – shares outstanding, SAL – net sales or revenues, EMP – number of employees, ROA – return on assets, ROE – return on equity, EBT – EBITDA.

Source: own elaboration.

The study also employs independent variables. Table 6.10 presents the variables used in the study. As in the case of the dependent variables listed above, the table also presents their abbreviations and definitions.

Table 6.10. The description of independent variables

Variable	Code	Definition
Chinese IPOs in China	$G_i = 0$	Companies that conducted IPOs on SSE or SZSE between 2002 and 2023
Chinese IPOs in Europe	$G_i = 1$	Companies classified as Chinese according to the definition of a Chinese enterprise, which carried out IPOs on European stock exchanges in 2002–2023
IPO year	T1	The end of the calendar year in which a firm completed the process of its IPO
IPO year +1	T2	The end of the calendar year following the year in which the company conducted its IPO
IPO year + 2	T3	The second calendar year after the year in which the company conducted its IPO

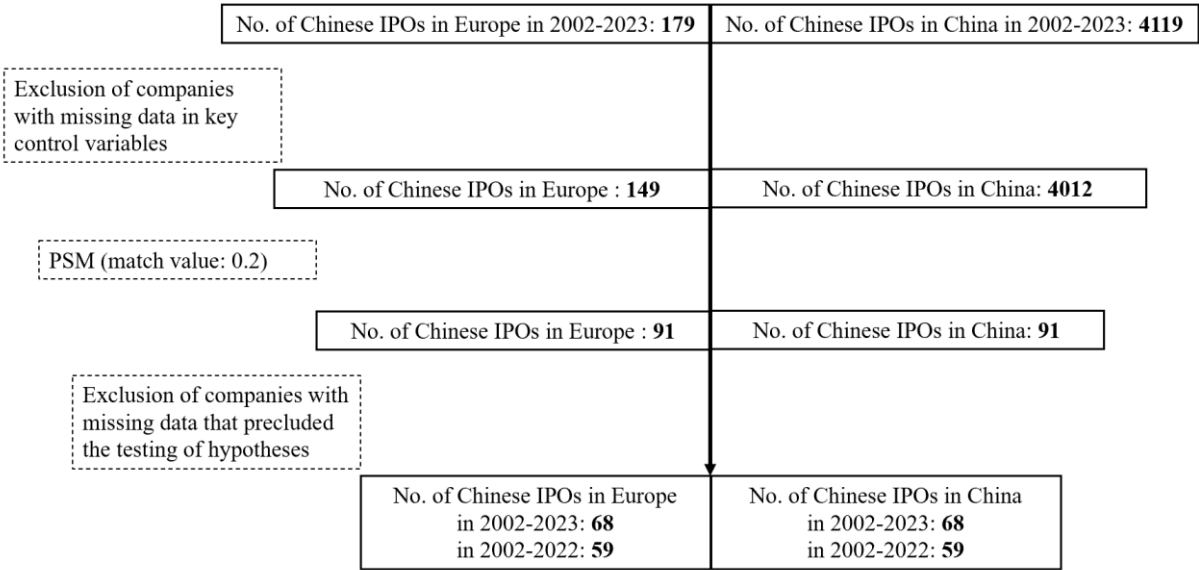
Source: own elaboration.

As indicated in the description of the independent variables regarding time, the dataset has a longitudinal structure, meaning that the same subjects were repeatedly measured at multiple time points (Wilson & Lorenz, 2015, pp. 103–104). All these variables were collected for three periods – at the end of the calendar year in which the company made its IPO (IPO year, marked as T1), at the end of the calendar year following the IPO (IPO year +1, marked as T2) and at the end of the second year following the IPO (IPO year +2, marked as T3). The data were therefore collected for each company over a different time period, depending on the year of its IPO. For example, if a company was listed in 2018, data were collected for the years 2018, 2019, and 2020. Conversely, if a company debuted in 2004, the dataset includes information for 2004, 2005, and 2006.

The analysis was limited to three calendar years due to data availability constraints. Extending the observation period would have significantly reduced the sample size, as complete and consistent financial data for a larger time frame were not available for all companies. Furthermore, the analysis did not include the year preceding the IPO, as financial information for many firms was either missing, incomplete, or not publicly disclosed prior to their listing.

Due to data availability constraints, it was necessary to exclude companies for which the required financial information could not be obtained. The missing data were of such scope and significance that they could not be reliably supplemented or imputed using the methodological procedures applied in the study. The methodological process for selecting companies is presented in Chart 6.3.

Chart 6.3. Selection of companies for the analysis



Source: own elaboration.

Ultimately, using the PSM method, 68 Chinese companies debuting in Europe in 2002-2023 were paired with 68 Chinese companies debuting on the Shanghai and Shenzhen stock exchanges. After excluding companies from 2023 in order to include more observations (i.e., three years rather than two years after debut), 59 companies from each group were included in the study.

**6.5. Description of the research methods used to test economic hypothesis**

This chapter provides a comprehensive overview of the methodological framework and research techniques used to test economic hypotheses. The study utilised a set of statistical methods to analyse differences and correlations between selected groups of enterprises.

First of all, the parametric and non-parametric tests were conducted. In the classical approach, tests for normality of distribution should be performed and, based on the results obtained, a decision should be made as to which tests should be used. However, in this study, both types of tests were used simultaneously, in line with another approach used by researchers when performing this type of testing.

The analysis starts with the U-Test, which, unlike non-parametric methods, assumes that the compared samples are drawn from populations exhibiting a normal distribution, particularly in cases of small sample sizes. Additionally, in case of not assuming of normal data distribution, non-parametric tests, such as the Mann-Whitney U test and the Median Test, are used to

compare the mean values of variables between two independent groups. These tests assess whether the observed differences are statistically significant without requiring the assumption of normal data distribution, in contrast to the U-Test, which typically assumes normality for valid application in small sample contexts.

In addition, to analyse relationships involving repeated measurements and the structure of time data, the Generalised Estimating Equation (GEE) estimating method is used, which allows for the modelling of complex correlational relationships in longitudinal data (Wilson & Lorenz, 2015, pp. 103–104). The selected methods allow for a reliable assessment of the study results, considering the specificity and characteristics of the analysed data.

### 6.5.1. The selection of parametric and non-parametric methods

Prior to the estimation of the GEE model, analysis of the data was conducted to identify potential differences between groups and select appropriate statistical methods. In particular, the focus was on assessing the distributions of variables and testing the assumptions of normality, which determine the choice of parametric or non-parametric tests for analysing differences between groups.

The first test performed is the U-test for independent samples. This test is used to compare the means of two independent groups to verify whether the difference between them is statistically significant. This method was chosen due to the large group of companies included in the study. The test statistic for this test takes the form:

$$U = \frac{\bar{X}_1 - \bar{X}_2}{\sqrt{\frac{S_1^2}{n_1} + \frac{S_2^2}{n_2}}}, \quad (10)$$

where  $\bar{X}_1$ ,  $\bar{X}_2$  denote the mean in individual groups,  $S_1^2$ ,  $S_2^2$  represent the variation within each group, and  $n_1$ ,  $n_2$  mark the size of each group.

In situations where non-parametric test is used, the Mann-Whitney U test was applied. Moreover, the Median test in the case of differences in medians is used.

The Mann-Whitney U test is a nonparametric alternative that does not require the data to follow a normal distribution. Instead of comparing group means, it evaluates whether the overall distributions differ, and it is particularly suitable for skewed data or in the presence of outliers. It is commonly interpreted as a test of differences in the typical values between two groups (Călin & Tuşa, 2023). Test statistics are based on sums of ranks (Oti *et al.*, 2021):

$$U_1 = N_1 N_2 + \frac{N_1(N_1+1)}{2} - R_1, \quad (11)$$

and

$$U_2 = N_1 N_2 + \frac{N_2(N_2+1)}{2} - R_2, \quad (12)$$

where  $R_1$  i  $R_2$  is the sum of the ranks assigned to the first and second groups, respectively.

The Median test is an additional nonparametric procedure focusing specifically on whether the medians of the two groups are significantly different. While less powerful than the Mann–Whitney U test, it provides a straightforward comparison of the central location of the distributions. It is calculated using the following formula (Oti *et al.*, 2021):

$$x^2 = \frac{n(n_{11}n_{22} - n_{12}n_{21})^2}{n_{1.}n_{2.}n_{.1}n_{.2}}, \quad (13)$$

where  $n$  denotes the total sample size,  $n_{1.}, n_{2.}$  represent the marginal frequency for the  $i$ th row, and  $n_{.1}, n_{.2}$  mark the marginal frequency for the  $j$ th column.

The selection of appropriate tests was therefore dependent on the fulfilment of key statistical assumptions, and the analysis carried out enabled the identification of significant differences between the groups prior to further estimation of the GEE model.

### 6.5.2. Generalised Estimating Equation (GEE)

The Generalised Estimating Equation (GEE) model is an econometric method developed by Zeger and Liang in 1986. It is an extension of classical generalised linear models (GLM), allowing for the inclusion of intra-cluster correlation typical for repeated measurements or grouped data. It has been adapted for network regression models (Liang & Zeger, 1986).

GEE is particularly effective for data with correlated outcomes, such as longitudinal or clustered data, where traditional methods like repeated measures ANOVA may not be suitable (Wilson & Lorenz, 2015, p. 103–104). GEE is widely used in various fields, including clinical trials, biomedical studies, and pharmacological research, due to its flexibility and robustness in handling complex data structures.

Let  $Y_{it}$  denotes the dependent variable for number of independent clusters ( $i = 1, \dots, N$ ) in time ( $t = 1, \dots, T$ ). It is assumed that data are collected in vector  $Y_i = (y_{i1}, \dots, y_{iT})'$  and  $T \times p$  matrix  $X_i = (x_{i1}, \dots, x_{iT})'$ .

The specification of the mean structure is based on the assumption:

$$\mathbb{E}(Y_{ij}|X_i) = \mathbb{E}(y_{it}|x_{it}) = \mu_{it}. \quad (14)$$

The model assumes that only time-specific covariates  $x_{it}$  affect the  $y_{it}$ , excluding any influence from past or future values (Vens & Ziegler, 2012).

The  $T \times T$  covariance matrix of  $y_i$  and  $X_i$  is  $\Omega_i = \text{Var}(y_i|X_i)$ . While the existence of covariate matrix is assumed, it does not have to be specified with complete accuracy.

GEE does not require full specification of the joint probability distribution of the data, focusing instead on the marginal distribution and a working correlation matrix. The working covariate matrix is specified as:

$$\Sigma_i = \Sigma_i(\beta, \alpha), \quad (15)$$

and it shall be matched as closely to  $\Omega_i$ . The choice of the working correlation matrix is crucial for the efficiency and validity of GEE. Different structures, such as independent, exchangeable, and autoregressive, can be used depending on the data characteristics (Vens & Ziegler, 2012). The most elementary one for GEE is independent working correlation structure as it does not require to estimate  $\alpha$ . The independent working correlation structure of  $y_i$  can be expressed as follow (Huang, 2021):

$$\text{Corr}(Y_{ij}, Y_{ik}) = \begin{cases} 1 & j = k \\ 0 & j \neq k \end{cases} \quad (16)$$

The  $T \times T$  working correlation matrix under the assumption of independence is presented below:

$$R_i = \begin{bmatrix} 1 & 0 & \dots & 0 \\ 0 & 1 & & 0 \\ \vdots & & \ddots & \vdots \\ 0 & 0 & \dots & 1 \end{bmatrix}. \quad (17)$$

The GEE estimator  $\beta$  is assumed to be normally distributed, unbiased and consistent (Vens & Ziegler, 2012). It can be formulated as follow (Huang, 2021):

$$U(\beta) = \sum_{j=1}^J \frac{\delta \mu_j'}{\delta \beta'} V_j^{-1} (y_j - X_j \beta) = 0, \quad (18)$$

where  $\beta$  represents a vector of  $p$  regression coefficients, including the intercept. For each coefficient, the contribution from the  $j$ th cluster is expressed as a product of three elements: the derivative of the cluster's mean response vector  $\mu_j$  with respect to  $\beta$ , the inverse of the working covariance matrix  $V$  of dimensions  $m_j \times m_j$  (where  $m_j$  is the number of observations within cluster  $j$ ), and finally,  $y_j$  as the residual vector of responses for cluster  $j$  and  $X_j$  as  $m_j \times p$  design matrix.

The equation of the model of the mean structure applied in this study is presented as follow:

$$Y_{it} = \beta_0 + \beta_1 G_i + \beta_2 (G_i \times T_t) + \beta_3 T_t + \varepsilon_{it}, \quad (19)$$

where:  $Y_{it}$  – stands for the economic indicator for company  $i$  at time  $t$ ,  $\beta_0$  denotes intercept (average indicator for foreign companies  $G_i = 1$  and domestic company  $G_i = 0$  in the reference time period  $T_t$ ),  $\beta_1$  marks the effect of being a foreign company ( $G_i = 1$ ),  $\beta_2$  is the interaction effect of time and belonging to the specific group of companies ( $G_i = 1$  or  $G_i = 0$ ),  $\beta_3$  marks the effect of time and  $\varepsilon_{it}$  denotes the error term.

To test hypothesis the Wald test is applied. Assuming that  $H_0: \beta = 0$  and  $H_1: \beta \neq 0$  the formula is defined as follow (Arango-Botero *et al.*, 2023):

$$Z = \frac{\hat{\beta} - \beta_0}{SE(\hat{\beta})}. \quad (20)$$

The Wald statistic is computed using the estimated coefficient  $\hat{\beta}$ , the true (unknown) parameter value  $\beta$ , and the standard error  $\widehat{SE}$  associated with  $\hat{\beta}$ . Under the null hypothesis, this statistic approximately follows a standard normal distribution.

The study also used 95% Wald confidence intervals for the difference in mean values of variables between the periods under study. Confidence intervals provide information about the range of values within which the actual difference between the means lies with 95% confidence. The interpretation of Wald intervals is based on several principles. If the entire interval is above zero, this indicates a statistically significant increase in the variable under study after the IPO. If the entire interval is below zero, this indicates a statistically significant decrease in the variable after the IPO. Finally, if the interval includes zero, this indicates no statistically significant change in the variable under study (Lim, 2019). Furthermore, narrower confidence intervals indicate greater precision in the estimation of the effect, while wider intervals may suggest greater data variability or fewer observations (Nakagawa & Cuthill, 2007).

In GEE models, standard fit measures such as log-likelihood or AIC are not directly available because GEE is not based on a full likelihood function but on a quasi-likelihood. This makes it a versatile tool for non-normally distributed data. Liang and Zeger (1986) and Pan (2001) proposed an analogous measure of goodness of fit, the QIC (Quasi-likelihood under the Independence model Criterion). As Akaike Information Criterion (AIC) has a corrected version, AICC, QIC has its own variant, QICC (Corrected QIC), which introduces an additional correction term that is important for small samples (Wang *et al.*, 2015):

$$QICC = QIC + \frac{2p(p+1)}{n-p-1}, \quad (21)$$

where:  $p$  is the number of model parameters, and  $n$  is the number of observations.

The correction is significant only when the sample is small ( $n$  not much larger than  $p$ ). When the number of observations is large in relation to the number of parameters, the correction component approaches zero. As a result,  $QICC = QIC$ , because the correction does not introduce any significant change (Wang *et al.*, 2015).

The literature offers diagnostic techniques adapted for GEE, many of which have their origins in methods developed for regression and GLM. The residual check helps in assessing whether any patterns indicate model misspecification, omitted variables, or nonlinearity in the relationship between predictors and the response variable, even within the GEE framework where the correlation structure may not be correctly specified. The estimated ordinary residual can be expressed as follows (Vens & Ziegler, 2012):

$$\hat{\varepsilon}_i = y_i - \hat{\mu}_i, \quad (22)$$

where  $\hat{\varepsilon}_i$  represents the residual vector for cluster  $i$ ,  $y_i$  is the observed response vector, and  $\hat{\mu}_i$  denotes the corresponding vector of fitted (predicted) values.

In assessing the match data to the model, the Pearson residuals are also used. Following research of Vens & Ziegler (2012) they are defined as follow:

$$\hat{\varepsilon}_{it}^P = \frac{y_{it} - \hat{\mu}_{it}}{\sqrt{h(\mu_{it})}}, \quad (23)$$

where  $h$  denotes the variance function.

The selection of the GEE estimation method was dictated by a number of important methodological considerations, as well as its particular usefulness in studies that include data repeated over time (panel data) and observations grouped into clusters (companies observed in successive years). GEE is a parametric method that allows the estimation of population-averaged effects in the presence of intra-group correlation, without the need to accurately model the structure of dependencies between observations in a given cluster (Wang *et al.*, 2015). Unlike mixed models (e.g., random effects models), GEE focuses not on the individual trajectories of units, but on the generalised effect of independent variables on the dependent variable across the entire study population. This perspective is particularly valuable in economic and social analyses, where the aim is to draw general conclusions rather than conclusions specific to a given individual.

One of the key advantages of the GEE method is its ability to simultaneously take into account both within-subject effects and between-subjects effects. Within-subjects effects allow capturing changes occurring in the same unit (i.e., a given company) over successive years, enabling the analysis of the impact of time factors. Between-observation effects refer to differences between groups of units (i.e., companies debuting on different markets) at a given

point in time. This makes GEE particularly useful in comparative studies that aim to determine whether belonging to a particular group has a significant impact on the variables analysed.

Another advantage of the GEE method is its robustness to incorrect specification of the covariance matrix. Even if the correlation structure is specified inaccurately, the estimated parameters remain consistent, provided that the structure of the mean model is correctly specified. This property is particularly important in practice, where complete information about the structure of dependencies is often unavailable or difficult to determine unambiguously (Wang *et al.*, 2015).

In addition, GEE allows for the analysis of dependent variables with different distributions: from the classic normal distribution (for continuous variables), through the binomial distribution (for binary data), to the Tweedy or Poisson distributions (for numerical data and rare events). This flexibility in modelling different types of variables increases the versatility of the method and allows it to be used in a wide range of empirical studies (Davis *et al.*, 2021; Huang, 2021).

Considering the above advantages, GEE is an analytical tool that is particularly well suited to the objectives of this study, which involves a comparative analysis of company performance over time and across groups. In particular, this method allows us to capture the dynamics of changes over time and differences between research groups (i.e., companies debuting on European markets vs. domestic markets), while maintaining control over intra-cluster dependencies. For this reason, the use of GEE allows us to obtain reliable and credible statistical conclusions.

## **6.6. Description of the research methods used to test the institutional hypothesis**

This chapter provides a detailed outline of the methodological approach and analytical tools applied to systematically examine and verify the proposed institutional hypotheses. The study aims to verify whether decisions regarding the choice of listing location are significantly influenced by external factors not directly related to the financial situation of companies, but resulting from the institutional environment of host countries. The adopted research concept focuses on three areas that determine the attractiveness of a location for foreign issuers: political, cultural and regulatory. This approach allows to capture the complex mechanisms of links between the institutional economic environment and the strategic decisions of companies for which the choice of a stock exchange in Europe is part of a broader internationalisation strategy.

The analysis takes into account both the specific characteristics of individual host countries and the functioning of stock markets, including alternative markets and the GDR issuance mechanism. The research approach is multidimensional and includes both the identification of institutional features influencing the attractiveness of individual locations and the analysis of data on the actual presence of Chinese companies in the markets under study. Therefore, the key element is to link the institutional context with actual expansion decisions, which allows us to capture mechanisms that are not solely driven by financial factors.

At the empirical level, a combination of quantitative and qualitative analysis was used. The first stage involved a review of the literature, covering both theoretical approaches to the internationalisation of enterprises and the location determinants of Chinese companies, as well as the results of empirical research on the role of institutional factors in the investment decisions of these entities. Particular attention was paid to studies analysing the importance of the political, cultural and regulatory environment in the process of choosing a listing location by foreign companies, which allowed to define a set of variables and indicators used in further stages of the study.

The analysis of the political area used the World Governance Indicators (World Bank, 2025), covering such dimensions of governance quality as political stability, effectiveness of public institutions, quality of regulation, rule of law and control of corruption. These indicators are a tool for measuring the quality of public institutions that is recognised in international literature, and their use allows for a comparison of institutional conditions between countries hosting Chinese companies. This area was also supplemented with data from the Index of Economic Freedom (The Heritage Foundation, 2025). The combination of these two indicators captures both the overall level of economic liberalisation and the extent of capital market openness and state interference in economic activity.

In the cultural dimension, Hofstede's research results (2011) were used to compare cultural differences between host countries and China. Taking this dimension into account provides a better understanding of how social values, behavioural norms and organisational preferences can influence companies' decisions on where to list. This analysis is particularly important in the context of entering markets characterised by different models of corporate governance and business practices.

Finally, in the legal area, an analysis of the regulatory framework and applicable accounting standards in individual countries was carried out. Data from the Economic Freedom of the World report (Fraser Institute, 2025) was used to identify differences in the legal systems of China and host countries. An assessment of differences in reporting standards and formal

requirements enables identification of the extent to which regulatory barriers may attract or discourage Chinese companies from listing in a given country.

Next, the aspect of the institutional environment as a determinant of Chinese companies' entry into European markets was analysed with regard to the issuance of GDRs on the London, Frankfurt and Zurich markets. This approach was adopted due to the political nature of the possibilities for companies to issue GDRs. This approach provides an opportunity to link institutional indicators with the observed behaviour of issuers and to identify potential relationships between the institutional environment and decisions on the choice of listing location. In addition to GDR issues, listings on alternative markets in London and Frankfurt were also taken into account, analysing their sectoral structure, number of issues and changes over time.

After compiling institutional data with information on the presence of Chinese companies on the markets under study, a comparative analysis was carried out to capture the relationship between the quality of the institutional environment and the intensity of corporate expansion. The approach used thus allows both the identification of the relationship between the institutional environment and the decisions of Chinese companies, as well as their interpretation in the context of the internationalisation processes of enterprises.

The proposed methodological construct allows for an integrated approach to the phenomenon of the expansion of Chinese companies into European stock markets. The verification of research hypotheses is based on the triangulation of sources and research methods. The use of international institutional indicators, stock market data and literature review captures both the structural location conditions and their translation into specific company decisions regarding the choice of listing market.

## **6.7. Summary**

The study has certain limitations which should be pointed out for a better understanding of the achieved results. As mentioned in Chapter 3, Chinese companies use a number of ways to enter foreign markets. Among others, these include reverse merger, VIE structure, and cross-listing. Such methods have been used by Chinese companies from the very beginning of their international expansion (Kynge, 1999). Associated with the use of these capabilities is the concealment of the original ownership structure. Consequently, such entities are not explicitly presented on exchanges as companies headquartered or incorporated in Mainland China, but as incorporated entities in offshore jurisdictions such as the Cayman Islands or British Virgin Islands. This means that in stock listings, these companies are not presented as entities whose

HQ, or country of incorporation, is Mainland China, but other offshore countries. As a result, it is challenging to identify all companies in which Mainland China entities hold their capital.

Another barrier is the availability of stock market data over the 20-year analysis period. During this time, both the classification standards and the range of available information on companies have changed, complicating the gathering of data. Difficulties are compounded by the fact that some historical data is only in archives or is no longer available. An example is the LSEG Workspace database, which, while offering a wide range of data, does not always make full archival information available, limiting the ability to obtain complete historical data for all companies included in the analysis.

Consequently, the insufficient data regarding Chinese IPOs on European markets does not allow for a more in-depth and layered analysis of the motives behind these companies' expansion into European markets. Chinese companies do not list regularly, but their activity varies greatly depending on the market. For example, on other stock exchanges, they appear in waves, e.g. in Switzerland in 2022 and 2023, and in Germany between 2006 and 2018. The lack of IPOs in individual years or their sporadic nature in some markets makes it impossible to use research methods that would allow for an examination of motives at the country level.

Moreover, it is also impossible to examine motives at the market level, i.e. the main and alternative markets. The lack of IPOs in individual years means that it was not possible to build panel models or other models limited only to Chinese companies going public in Europe. Otherwise, this would undermine the stability of econometric models and make it impossible to draw conclusions based on them. As a result, the analysis is largely quantitative and cross-sectional, which limits the ability to capture the dynamics of decision-making processes over time. The choice of IPO location may be the result of a long-term strategy or a response to short-term external factors (e.g., geopolitical tensions, regulatory changes).

Unlike likelihood methods, GEE is based on a quasi-likelihood approach, which allows data to be analysed without the need for a full specification of the joint distribution of variables (Huang, 2021). This approach provides greater flexibility but may also result in reduced estimator efficiency if the correlation structure is incorrectly assumed (Vens & Ziegler, 2012; Wang *et al.*, 2015).

Furthermore, GEE focuses on estimating population-averaged effects without directly modelling variation at the individual level. This means that this method may not be the optimal choice in situations where the individual trajectories of the studied units are of key importance and the aim of the analysis is to capture their internal variation or subject-specific effects (Huang, 2021).

## CHAPTER 7

### Economic determinants of Chinese companies' listings on European stock exchanges

#### 7.1. Characteristics of the data

In order to better understand the structure of the dataset and the distribution of the variables employed in the empirical research, this subsection reports the descriptive statistics and highlights the key features of the sample.

The research methods used require that the variables do not contain missing values (de Melo *et al.*, 2022). The process of collecting empirical data revealed significant limitations in the availability of information about Chinese debuts in Europe. Despite the exclusion of companies with no available data, gaps in individual variables still existed. The percentage share of missing values is presented in Table 7.1.

Table 7.1. Missing values of used variables

Variable	Missing values for each year (in %)			Missing values in total (in %)
	T1	T2	T3	
TA	2.94	2.94	2.24	3.37
TL	2.94	2.94	3.39	3.09
PPE	5.15	5.88	8.47	6.50
QRT	8.82	10.29	11.86	10.33
FF	16.91	11.03	11.86	13.27
DIV	1.47	1.47	1.69	1.55
SHO	2.94	2.94	4.24	2.27
SAL	3.68	2.94	4.24	2.62
EMP	13.24	16.18	16.10	15.17
ROA	9.56	8.82	19.49	12.62
ROE	9.56	5.88	5.08	6.84
EBT	8.09	9.56	11.02	9.55

Note: TA – total assets, PPE – property, plant, equipment, QRT – quick ratio, TL – total liability, FF – free float, DIV – dividend yield, SHO – shares outstanding, SAL – net sales or revenues, EMP – number of employees, ROA – return on assets, ROE – return on equity, EBT – EBITDA.

Source: own elaboration.

The information about the missing data are presented separately for each variable by year and in total for the entire variable as the average of the variables for individual years.

Missing values appeared uniformly and randomly across all variables. Although the proportion of missing values varied across individual variables, none exceeded the 20% threshold, which is widely recognized in the literature as an acceptable level for imputation using statistical methods (e.g., Emmanuel *et al.*, 2021; Kim *et al.*, 2024). Therefore, the missing data in this study were considered suitable for imputation with appropriate statistical techniques.

Missing values were imputed using linear interpolation, following the procedure outlined by Du *et al.* (2023), which is commonly applied in time series and panel data analysis due to its simplicity and ability to preserve the internal structure of the data. To minimise the influence of extreme values and potential distortions in statistical analyses, the dataset was subsequently winsorised at the 1st and 99th percentiles. This approach ensured that extreme outliers were adjusted without entirely removing observations, thereby maintaining the integrity of the dataset. Additionally, pairwise deletion was applied to handle any remaining missing values allowing for use of available data without significantly reducing the sample size.

In order to obtain a general overview of the data structure and a preliminary comparison of the groups of companies, descriptive statistics were analysed. Table 7.2 presents descriptive statistics for the variables used, taking into account individual groups of companies and years. Descriptive statistics for the analysed variables are presented across the three observation periods (T1–T3). The dataset comprises 118 firms, divided into two groups: domestic, i.e. Chinese companies going public domestically ( $G_1 = 0$ ) and foreign which are Chinese companies going public on the European stock exchanges ( $G_1 = 1$ ). For each variable, the minimum, maximum, mean, standard deviation (SD), and median (Mdn) were calculated. Across all three research moments, the results indicate a considerable range of values across the sample, which suggests that the companies differ substantially. In particular, size-related variables such as TA, SAL or EMP exhibit wide variation, reflecting the inclusion of both relatively small and large entities. Across three periods, some variables show modest changes in central tendency, while others remain relatively stable. The medians of several variables are notably lower than the means, which may suggest the presence of skewness in the distributions. Profitability indicators, such as ROA and ROE, also display a broad spread of values, indicating that within the sample there are both firms with negative as well as positive outcomes.

Thus, in order to properly prepare the data for the study, all variables were logged. For variables taking negative values, they were transformed using the inverse hyperbolic sinusoid (IHS) transformation (Bellemare & Wichman, 2019). Logarithmisation is performed as below:

$$IHS(x) = \ln(x + \sqrt{x^2 + 1}). \quad (24)$$

Table 7.2. Descriptive statistics

		T1					T2					T3				
Variable	Group/Sum	Mean	SD	Mdn	Min	Max	Mean	SD	Mdn	Min	Max	Mean	SD	Mdn	Min	Max
TA [m EUR]	$G_i = 0$	2.12	8.35	0.82	0.04	58.37	2.33	8.61	0.16	0.04	57.47	34.42	107.87	1.55	0.00	744.55
	$G_i = 1$	3.58	10.10	1.32	0.00	66.88	4.20	12.98	0.15	0.00	89.53	21.86	82.29	0.22	0.40	482.57
	Total	1.96	7.65	0.95	0.00	55.41	3.26	11.01	0.16	0.00	89.53	28.14	95.73	0.91	0.00	744.55
PPE /TA [ratio]	$G_i = 0$	5.58	38.08	0.19	0.00	292.34	0.29	0.30	0.22	0.00	1.29	0.03	0.02	0.06	0.00	0.08
	$G_i = 1$	0.24	0.19	0.22	0.00	0.82	0.28	0.20	0.24	0.00	0.87	2.13	14.64	0.03	0.00	112.68
	Total	2.91	26.95	0.22	0.00	292.34	0.28	0.25	0.23	0.00	1.29	1.08	10.36	0.04	0.00	112.68
QRT [ratio]	$G_i = 0$	3.86	6.08	2.12	0.15	35.66	2.28	2.16	1.43	0.19	11.85	6.16	14.98	1.19	0.00	89.58
	$G_i = 1$	6.54	9.03	3.55	0.13	42.93	6.45	10.41	2.56	0.18	66.51	2.03	2.08	1.70	0.10	9.71
	Total	5.20	7.78	2.68	0.13	42.93	4.36	7.77	1.71	0.18	66.51	4.10	10.85	1.45	0.00	89.58
TL /TA [ratio]	$G_i = 0$	0.44	0.74	0.28	0.01	5.77	0.36	0.25	0.31	0.01	0.98	0.04	0.02	0.11	0.00	0.12
	$G_i = 1$	0.33	0.19	0.32	0.02	0.94	0.36	0.19	0.37	0.05	0.94	0.46	1.79	0.04	0.00	13.83
	Total	0.38	0.54	0.32	0.01	5.77	0.36	0.22	0.33	0.01	0.98	0.25	1.28	0.06	0.00	13.83
FF [%]	$G_i = 0$	63.94	28.22	66.85	15.00	100	66.30	31.40	62.00	10.00	100	58.69	28.80	64.00	1.38	100
	$G_i = 1$	54.07	28.64	52	3.34	100	52.37	30.10	51	1.74	100	66.54	28.38	56	18.00	100
	Total	59.01	28.74	58	3.34	100	59.34	31.41	56.61	1.74	100	62.61	28.74	60.53	1.38	100
DIV [%]	$G_i = 0$	0.17	0.50	0.00	0.00	2.65	0.98	1.01	0.70	0.00	4.62	5.88	31.99	0.58	0.00	243.56
	$G_i = 1$	0.37	0.84	0.00	0.00	4.16	1.07	1.98	0.00	0.00	9.83	1.05	1.20	0.00	0.00	4.07
	Total	0.27	0.69	0.00	0.00	4.16	1.03	1.57	0.52	0.00	9.83	3.47	22.67	0.51	0.00	243.56
SHO [m EUR]	$G_i = 0$	1.82	0.70	0.41	0.06	52.02	9.76	67.63	0.41	0.06	0.52	1.22	2.58	0.40	0.00	12.25
	$G_i = 1$	1.19	2.29	0.05	0.00	9.08	1.12	2.27	0.06	0.00	9.43	2.13	9.02	0.05	0.06	68.14
	Total	1.55	5.17	0.25	0.00	52.02	5.44	47.84	0.24	0.00	52.02	1.68	6.62	0.25	0.00	68.14

SAL [m EUR]	$G_i = 0$	0.64	1.99	70.74	0.01	11.14	0.76	2.53	79.55	0.01	15.15	1.56	4.14	0.09	-0.04	24.51
	$G_i = 1$	1.24	2.94	68.23	0.00	18.84	1.43	3.83	73.83	-0.01	22.46	0.77	2.51	0.05	0.02	14.33
	Total	0.97	3.37	69.48	0.00	22.15	1.09	3.25	79.06	-0.01	22.46	1.17	3.43	0.08	-0.04	24.51
TL [m EUR]	$G_i = 0$	1.47	7.31	34.40	0.59	54.74	1.64	7.43	46.08	0.00	53.86	3.3	11.91	0.06	0.00	85.56
	$G_i = 1$	2.45	8.01	36.16	0.12	55.41	2.78	9.45	27.02	0.00	65.92	1.82	8.31	0.03	0.00	59.76
	Total	1.96	7.65	35.02	0.12	55.41	2.21	8.49	42.29	0.00	65.92	2.56	10.25	0.05	0.00	85.56
EMP [‘000]	$G_i = 0$	4.55	13.92	1.11	0.09	97.02	5.79	19.64	1.30	0.09	140.15	6.60	15.43	1.31	0.01	99.30
	$G_i = 1$	8.30	16.45	1.36	0.01	87.45	6.34	15.00	1.42	0.01	99.76	7.05	29.52	0.82	0.11	223.84
	Total	6.43	15.29	1.18	0.01	97.02	6.07	17.40	1.36	0.01	140.15	6.83	23.46	1.29	0.01	223.84
PPE [m EUR]	$G_i = 0$	0.58	2.70	0.02	0.00	19.51	0.72	3.40	0.03	0.00	24.71	1.46	4.61	0.04	0.00	27.96
	$G_i = 1$	1.35	3.92	0.03	0.00	22.15	1.28	4.20	0.02	0.00	26.17	0.85	4.14	0.05	0.00	30.49
	Total	0.97	3.37	0.02	0.00	22.15	1.00	3.81	0.03	0.00	26.17	1.16	4.37	0.04	0.00	30.49
ROA [%]	$G_i = 0$	6.50	5.14	5.45	-4.24	24.63	4.65	6.36	4.42	-18.13	23.43	-1.10	20.07	2.40	-64.87	49.10
	$G_i = 1$	4.34	14.60	5.60	-40.97	44.60	-2.46	17.69	0.91	-54.24	37.70	3.22	5.53	2.42	-15.09	17.04
	Total	5.42	10.95	5.53	-40.97	44.60	1.10	13.71	3.06	-54.24	37.70	1.06	14.82	2.41	-64.87	49.10
ROE [%]	$G_i = 0$	11.68	8.62	10.58	-12.90	45.34	7.26	9.11	6.72	-32.07	29.53	-19.87	52.53	5.15	-213.36	45.08
	$G_i = 1$	12.97	26.27	14.84	-58.57	74.69	-9.87	51.09	2.6	-296.75	47.84	5.39	9.44	-0.66	-24.66	29.70
	Total	12.33	19.48	11.64	-58.57	74.69	-1.31	37.53	6.12	-296.75	47.84	-7.24	39.66	3.92	-213.36	45.08
EBT [m EUR]	$G_i = 0$	0.15	0.60	0.01	-0.04	4.13	0.21	0.76	0.01	-0.04	4.94	0.26	0.72	0.10	-0.14	3.59
	$G_i = 1$	0.27	0.58	0.03	-0.03	2.89	0.24	0.59	0.03	-0.06	2.70	0.25	0.98	0.02	-0.55	6.86
	Total	0.21	0.59	0.02	-0.44	4.13	0.23	0.68	0.01	-0.06	4.94	0.26	0.86	0.01	-0.14	6.86

Note:  $G_1 = 0$  – Chinese companies going public in China,  $G_1 = 1$  – Chinese companies going public on European stock exchanges, TA – total assets, PPE – property, plant, equipment, QRT – quick ratio, TLTA – financial leverage, TL – total liability, FF – free float, DIV – dividend yield, SHO – shares outstanding, SAL – net sales or revenues, EMP – number of employees, ROA – return on assets, ROE – return on equity, EBT – EBITDA.

Source: own elaboration.

This method is well established in the literature (e.g., Ma *et al.*, 2022; Guang-Qiang & Tang, 2025) and was used to ensure that all observations were non-negative, which was necessary for further statistical analysis.

Based on such prepared data, further analysis was conducted, the results of which are presented in the following sections of this chapter.

## 7.2. Evaluation of group differences

In order to identify differences between the two groups of companies, numerous tests were carried out in the study. Prior to conducting the analysis using GEE modelling, a comparison of variable values between two groups of companies ( $G_i = 0$  and  $G_i = 1$ ) was performed for specific time points: in the IPO year (T1), in year +1 (T2) and in year +2 (T3).

Firstly, the parametric test for independent samples were performed (U-Test), the results of which are presented in Table 7.3.

Table 7.3. Differences between groups based on the U-Test

Hypothesis	Variable	T1		T2		T3	
		U-statistic	p-value	U-statistic	p-value	U-statistic	p-value
H1: demand for capital	TA	-0.154	0.878	0.140	0.889	3.078***	0.003
	PPETA	1.429	0.156	0.032	0.974	2.712***	0.008
	QRT	-1.587	0.115	-2.781***	0.006	-0.939	0.350
	TLTA	-0.233	0.816	-1.309	0.194	5.447***	<0.001
H2: investor base	FF	1.986**	0.049	2.542**	0.012	1.802*	0.074
	DIV	-1.532	0.128	1.059	0.292	-0.308	0.758
	SHO	4.102***	<0.001	4.163***	<0.001	4.153***	<0.001
H3: business expansion	SAL	1.612*	0.056	2.293**	0.024	2.713***	0.008
	TL	0.008	0.994	0.638	0.525	0.756	0.451
	EMP	0.575	0.567	1.245	0.216	1.587	0.115
	PPE	0.158	0.875	1.296	0.198	1.316	0.191
H4: profitability	ROA	2.667***	0.004	3.674***	<0.001	1.657*	0.100
	ROE	1.928*	0.058	3.714***	<0.001	4.116***	<0.001
	EBT	1.911*	0.058	2.305**	0.023	2.534**	0.013

Note: statistical significance was determined based on the two-tailed *p*-value. \*\*\* 1%, \*\* 5%, \*10% level of significance, respectively. TA – total assets, PPE – property, plant, equipment, QRT – quick ratio, TLTA – financial leverage, TL – total liability, FF – free float, DIV – dividend yield, SHO – shares outstanding, SAL – net sales or revenues, EMP – number of employees, ROA – return on assets, ROE – return on equity, EBT – EBITDA.

Source: own elaboration.

Next, the Mann–Whitney U test was used to compare the sum of ranks between the groups, and the Median test was used to analyse differences in the central location of the distributions. The Mann–Whitney U test (also called the Wilcoxon rank-sum test) is a nonparametric statistical test that allows to verify whether two independent groups differ significantly. Considering the structure of repeated measurements, tests were performed separately for each period, which enabled the assessment of differences in a static time frame. The results constitute a preliminary point comparison and were presented within the GEE analysis. The results of the Mann–Whitney U and Median tests are presented in Table 7.4.

The results indicates that the number of statistically significant differences between the groups varied over time, with the highest number of significant differences observed in the third year (T3). After the first year of IPO (T1), significant differences between the groups were observed for the SHO variable (p-value = 0.001 in the Mann–Whitney test, p-value = 0.017 in the Median test) and, to a lesser extent, for QRT and FF variables (p-value < 0.1). This indicates that at the beginning of the analysis period, only a few indicators showed significant differences between the groups. This may indicate a good match between the pairs in the PSM procedure.

In year T2, companies began to diverge more visibly across several key financial dimensions. A key difference was observed in the level of free float (FF, p-value = 0.027), which reflects the availability of shares for trading and thus signals variations in liquidity and openness to external investors. Differences in dividend policies may indicate varying priorities between reinvestment and shareholder payouts. Ownership structure also became a significant differentiator (SHO, p-value < 0.001). It reflects differences in control and potential strategic orientations. Moreover, disparities in profitability ratios, both ROA (p-value = 0.008) and ROE (p-value = 0.034), highlight unequal efficiency in generating returns. The fact that significant divergences were also observed in variables such as quick ratio (QRT, p-value = 0.017) highlight varying levels of liquidity management and short-term financial stability. Taken together, these findings suggest a growing divergence in business strategies and financial condition between groups.

The greatest divergence was observed in the period T3, when the differences between the groups became most pronounced across several fundamental financial dimensions. Substantial discrepancies in total assets (TA, p-value < 0.001) point to contrasting scales of operation and investment capacity, suggesting that companies followed different growth trajectories. The variation in the variable PPETA (p-value < 0.001) may reflect divergent capital structures – some firms relied more heavily on tangible, long-term assets, while others adopted lighter, potentially more flexible business models.

Table 7.4. Non-parametric statistical tests results

Hypothesis	Variable	T1				T2				T3			
		Mann–Whitney U test		Median test		Mann–Whitney U test		Median test		Mann–Whitney U test		Median test	
		U	p-value	Median	p-value	U	p-value	Median	p-value	U	p-value	Median	p-value
H1: demand for capital	TA	1742.500	0.991	11.810	0.854	1681.000	0.749	11.970	0.854	1067.500***	<0.001	13.720***	<0.001
	PPETA	1772.000	0.865	0.215	0.581	1907.000	0.370	0.225	0.357	1070.000***	<0.001	0.040***	<0.001
	QRT	2084.000*	0.064	0.985**	0.043	2151.500**	0.027	0.535**	0.017	2006.000	0.153	0.370**	0.043
	TLTA	1715.000	0.891	-1.155	0.197	1818.000	0.677	-1.110	0.461	659.000***	<0.001	-2.810***	<0.001
H2: investor base	FF	1416.000*	0.080	4.060**	0.017	1279.500**	0.012	4.035*	0.098	1483.500	0.163	4.105	0.197
	DIV	1905.500	0.199	0.000	0.245	1329.000**	0.021	0.495**	0.006	1531.000	0.241	0.485	0.197
	SHO	1141.000***	0.001	12.445**	0.017	1082.000***	<0.001	12.410***	0.002	1109.000***	<0.001	12.430***	0.003
H3: business expansion	SAL	1620.500	0.518	11.840	0.854	1553.000	0.313	11.970	0.854	1444.500	0.111	11.950	0.141
	TL	1667.500	0.694	10.465	0.854	1593.000	0.427	10.650	0.581	1587.500	0.410	10.840	0.581
	EMP	1674.500	0.722	7.080	0.581	1557.500	0.325	7.215	0.854	1469.000	0.144	7.160	0.357
	PPE	1699.500	0.825	10.815	0.581	1523.500	0.243	11.085	0.854	1611.500	0.487	11.255	0.854
H4: profitability	ROA	1620.000	0.517	2.410	0.854	1248.000**	0.008	1.835***	<0.001	1652.000	0.634	1.615	0.854
	ROE	1967.500	0.222	3.150**	0.043	1345.500**	0.034	2.510**	0.017	1226.000***	0.006	2.075*	0.098
	EBT	1917.000	0.342	10.370**	0.027	1827.500	0.640	10.250*	0.098	1752.500	0.949	9.925	0.357

Note: Asymptotic two-tailed significance (p-value). \*\*\* 1%, \*\* 5%, \*10% level of significance, respectively. TA – total assets, PPE – property, plant, equipment, QRT – quick ratio, TLTA – financial leverage, TL – total liability, FF – free float, DIV – dividend yield, SHO – shares outstanding, SAL – net sales or revenues, EMP – number of employees, ROA – return on assets, ROE – return on equity, EBT – EBITDA.

Source: own elaboration.

The variable TLTA (p-value < 0.001) reveal distinct approaches to financial leverage and risk-taking, with clear implications for financial stability and resilience in changing market conditions. Finally, significant discrepancies in ownership structure (SHO, p-value < 0.001) may indicate diverging governance systems and levels of control concentration, which may influence both strategic decision-making and investor confidence.

The greatest divergence was observed in the period T3, when the differences between the groups became most pronounced across several fundamental financial dimensions. Substantial discrepancies in total assets (TA, p-value < 0.001) point to contrasting scales of operation and investment capacity, suggesting that companies followed different growth trajectories. The variation in the variable PPETA (p-value < 0.001) may reflect divergent capital structures – some firms relied more heavily on tangible, long-term assets, while others adopted lighter, potentially more flexible business models. The variable TLTA (p-value < 0.001) reveal distinct approaches to financial leverage and risk-taking, with clear implications for financial stability and resilience in changing market conditions. Finally, significant discrepancies in ownership structure (SHO, p-value < 0.001) may indicate diverging governance systems and levels of control concentration, which may influence both strategic decision-making and investor confidence.

The fact that these differences were also confirmed by the median test further strengthens the conclusion that, by T3, the groups had evolved into financially and structurally distinct profiles. This suggests not only a divergence in performance, but also in long-term strategies, risk tolerance, and positioning within the broader market environment.

### **7.3. Hypothesis testing**

The objective of this study is to identify the key determinants influencing the decision of Chinese companies to enter European stock exchanges. The analysis adopts a comparative approach, contrasting Chinese firms listed on European markets with those issuing equity securities exclusively on domestic Chinese stock exchanges.

Prior to conducting the GEE estimation, all relevant variables were carefully examined in terms of their measurement scales and distributional properties. This preliminary assessment was essential to ensure that the selected statistical model would adequately capture the underlying structure of the data and the repeated nature of observations across time.

On this basis, several potential model specifications within the GEE framework were considered. Table 7.5 provides an overview of alternative GEE model configurations, including

different distributional assumptions and link functions, along with a brief commentary on their suitability for the dataset.

Considering the structure of the analysed data, the linear model was selected as the most appropriate for this study. This decision was justified by the fact that the dependent variables are continuous and their distribution, do not indicate the need to use models based on alternative distributions, such as gamma or Poisson. Moreover, values of variables are either positive and negative. In addition, the linear normal model is particularly suitable when the aim of the analysis is to assess the additive effect of selected factors on the dependent variable and to compare the average effects between groups. For these reasons, further analysis was carried out using this model (Davis *et al.* 2021; Huang, 2021).

Table 7.5. Characteristic of distribution of the outcome variable in GEE model

Type of distribution	When it is used	Relation to the data	Assessment
Poisson	for count data (non-negative integers)	not suitable as data are continuous and can be negative	not applicable
Negative binominal (with log link)	for overdispersal count data	not suitable, data are continuous and may be negative	not applicable
Tweedie (with log or identity link)	for zero-inflated positive continuous data	not suitable, requires non negative values	not applicable
Ordinal (logistic or probit)	for categorical (ordinal) data	not suitable for continuous data	not applicable
Binary (logistic or probit)	for binary classification (0/1 outcomes)	not suitable for continuous data	not applicable
Interval censored survival	for time-to-event data with censoring	not suitable for continuous data	not applicable
Inverse Gaussian	for positive continuous data with inverse Gaussian distribution	not suitable, requires strictly positive values	not applicable
Multinomial	for multi-class categorical outcomes	not suitable for continuous data	not applicable
Normal (gamma with log link)	for positive continuous variables	not suitable, requires strictly positive values	not applicable
Normal (linear)	standard model for continuous data, can include negatives	continuous data and can be negative	applicable

Source: own elaboration based on Davis, R. A., Fokianos, K., Holan, S. H., Joe, H., Livsey, J., Lund, R., Pipiras, V., & Ravishanker, N. (2021). *Count time series: A methodological review*. Journal of the American Statistical Association, 116(535), 1533–1547 and Huang, F. L. (2021). *Analyzing cross-sectionally clustered data using generalized estimating equations*. Journal of Educational and Behavioral Statistics, 47(1), pp. 101–125.

The GEE method allows for different assumptions regarding the intra-cluster correlation structure, such as independence (no correlation), exchangeable (constant correlation between all observations in a cluster), autoregressive AR(1) (decreasing correlation with increasing time

distance) or a completely unrestricted structure (Wilson & Lorenz, 2015, pp. 111–112). The literature presents the results of analyses for different correlation structures, indicating possible differences in the estimated parameters and their standard errors. In order to select the most appropriate correlation structure, researchers usually use fit indices such as QIC or QICC, which allow for an objective assessment of the model quality (e.g., Wang, 2014; Huang, 2021).

In this thesis, in accordance with accepted analytical practices, all correlation structures were tested. The analyses showed that the estimated regression coefficients and their standard errors remained unchanged regardless of the assumption made regarding intra-cluster correlation. The results obtained therefore indicate high model stability and insensitivity to the choice of correlation structure, which is also confirmed by the absence of significant differences in the values of the QIC/QICC indicators. Therefore, to simplify the presentation of the results, the simplest correlation structure, i.e. independence, was adopted in further analyses and the final parameter estimates were presented on this basis.

Table 7.6 summarises the key assumptions, parameters and characteristics of the GEE models used in this study. The table aims to provide a summary overview of the methodological solutions adopted and to compare the estimation models of the carried out analysis.

Table 7.6. GEE model information

<b>Research period</b>	<b>2002–2022</b>	<b>2002–2023</b>
Probability distribution	Normal	Normal
Distribution	Linear	Linear
Link function	Identity	Identity
Number of observations read	354	236
Number of observations used	354	236
Number of events	177	118
Number of trials	354	236
Correlation structure	Independence	Independence
Within-subject effect	Time (3 levels)	Time (2 levels)
Subject-effect	Company (118)	Company (136)
Number of clusters	118	136
Correlation matrix dimension	3	2
Maximum cluster size	3	2
Minimum cluster size	3	2

Source: own elaboration.

The analysis covered two research periods: 2002–2022 and 2002–2023, corresponding to different time intervals and sample sizes. In both models, a normal probability distribution with a linear identity function was used, which is applicable for continuous dependent variables.

The first analysis includes 354 observations from 136 companies, each of which are observed at three points in time, resulting in a correlation matrix with a dimension of 3 and a constant cluster size of 3. The second one is based on 236 observations from 118 companies, measured at two points in time, resulting in a correlation matrix dimension of 2. In both cases, an independence correlation structure is adopted, as preliminary diagnostics suggested that intra-firm correlations were weak and do not have a significant impact on parameter estimation.

### **7.3.1. Temporal dynamics of differentiating factors among Chinese companies**

After determining the structure of the GEE model and adopting assumptions regarding the distribution and structure of correlations, the next step was to analyse within-group effects. In this study, this effect refers to the variability of results over time within the same group of entities, i.e. companies going public in Europe constituting the clustering units in the model. The within-group effects obtained from GEE models refer to changes observed within the group of Chinese companies debuting on European markets, analysed over the study period. It should be emphasised that in this context, ‘within’ does not refer to changes at the level of individual companies in the sample, but reflects average changes within the entire group over time.

The within-group effect allows for identification of changes over time and the impact on the dependent variable. The results of these effects presented in Table 7.7 refer to differences in the values of individual explanatory variables between successive time points after IPO in reference to the value from the first year (T1). The aim of the analysis was to determine the direction and scale of changes in selected financial indicators in relation to the initial values.

The results of the analysis indicate a significant differences in increase of total assets (TA) in all analysed periods. This may indicate increased demand for capital related to the expansion of fixed assets or the financing of expansion. Similarly, the value of fixed assets (PPETA) also increases statistically significantly in both periods, which confirms the increased investment activity of companies. In contrast, a significant decrease in the quick ratio (QRT) is observed: comparing the year after the IPO to the year of the IPO, and two years after the debut to the IPO year. This may suggest that investments were largely financed from current resources, resulting in a decline in short-term liquidity. Furthermore, the TLTA ratio is also declining. However, the value of this ratio only declines significantly in T3, which may indicate a gradual deleveraging of companies after a period of intensive debt financing.

Table 7.7. Within group effects of companies listed in European stock exchanges in 2002–2022

Hypothesis	Dependent variable	Parameter	$\beta$	S.E.	95% Wald Confidence Interval		Wald Chi-square Statistic	p-value
					Lower	Upper		
H1: demand for capital	TA	Intercept	12.301	0.215	11.880	12.722	3283.285***	<0.001
		T2	2.388	0.054	2.283	2.494	1968.061***	<0.001
		T3	0.092	0.030	0.034	0.151	9.546***	0.002
	PPETA	Intercept	0.414	0.122	0.176	0.653	11.606***	<0.001
		T2	-0.142	0.124	-0.384	0.101	1.315	0.252
		T3	-0.121	0.156	-0.427	0.184	0.604	0.437
	QRT	Intercept	0.803	0.127	0.553	1.053	39.669***	<0.001
		T2	-0.358	0.072	-0.499	-0.216	24.624***	<0.001
		T3	-0.541	0.089	-0.716	-0.366	36.699***	<0.001
	TLTA	Intercept	-1.367	0.144	-1.648	-1.085	90.578***	<0.001
		T2	-0.060	0.146	-0.345	0.225	0.169	0.681
		T3	-0.741	0.217	-1.166	-0.316	11.700***	<0.001
H2: investor base	FF	Intercept	4.033	0.071	3.894	4.172	3233.457***	<0.001
		T2	0.017	0.043	-0.068	0.101	0.152	0.194
		T3	0.059	0.046	-0.030	0.149	1.689	0.696
	DIV	Intercept	0.130	0.047	0.038	0.223	7.589**	0.006
		T2	0.602	0.079	0.446	0.758	57.440***	<0.001
		T3	0.602	0.093	0.420	0.785	41.982***	<0.001
	SHO	Intercept	13.011	0.162	12.693	13.329	6428.409***	<0.001
		T2	0.041	0.039	-0.035	0.117	1.111	0.292
		T3	0.018	0.008	0.004	0.033	5.942**	0.015
H3: business expansion	SAL	Intercept	12.198	0.212	11.783	12.613	3316.608***	<0.001
		T2	0.072	0.035	0.004	0.139	4.342**	0.037
		T3	0.228	0.063	0.105	0.350	13.262***	<0.001
	TL	Intercept	10.972	0.260	10.563	11.481	1788.145***	<0.001
		T2	0.211	0.069	0.076	0.346	9.411***	0.002
		T3	0.383	0.091	0.205	0.561	17.846***	<0.001
	EMP	Intercept	7.130	0.178	6.782	7.478	1610.799***	<0.001
		T2	0.149	0.034	0.083	0.215	19.753***	<0.001
		T3	0.195	0.049	0.099	0.291	15.858***	<0.001
	PPE	Intercept	11.082	0.243	10.605	11.560	2072.482***	<0.001
		T2	0.313	0.055	0.206	0.420	32.727***	<0.001
		T3	0.549	0.105	0.343	0.756	27.221***	<0.001

H4: profitability	ROA	Intercept	2.246	0.139	1.974	2.519	261.491***	<0.001
		T2	-0.571	0.153	-0.870	-0.272	14.008***	<0.001
		T3	-0.992	0.172	-1.330	-0.655	33.203***	<0.001
	ROE	Intercept	2.842	0.160	2.529	3.156	316.155***	<0.001
		T2	-0.762	0.166	-1.087	-0.767	21.230***	<0.001
		T3	-1.202	0.222	-1.637	-0.438	29.365***	<0.001
	EBT	Intercept	9.847	0.535	8.798	10.896	338.738***	<0.001
		T2	-0.932	0.552	-2.013	0.149	2.854	0.170
		T3	-1.039	0.758	-2.524	0.446	1.881*	0.091

Note: in all models, df are equal to 1. The referral time is T1. The level of significance are \*\*\* 1%, \*\* 5%, \*10%, respectively. TA – total assets, PPE – property, plant, equipment, QRT – quick ratio, TLTA – financial leverage, TL – total liability, FF – free float, DIV – dividend yield, SHO – shares outstanding, SAL – net sales or revenues, EMP – number of employees, ROA – return on assets, ROE – return on equity, EBT – EBITDA.

Source: own elaboration.

In terms of indicators pointing to companies' intention to increase their investor base, only dividend behaviour confirms the hypothesis of increasing the investor base by signalling stability and transparency. A significant increase in dividends paid (DIV) was recorded in both T2 ( $\beta = 0.602$ ) and T3 ( $\beta = 0.602$ ). This increase can be seen as part of a strategy to attract foreign investors by building credibility and a policy of stable payments (Cheng *et al.*, 2021). In turn, the FF ratio increased in both periods, but these changes were not statistically significant (T2:  $\beta = 0.017$  and T3:  $\beta = 0.059$ ). Similarly, the values of the indicator showing the share of external shareholders (SHO) did not show any significant changes (p-value > 0.1), which may indicate the limited effectiveness of the strategy in attracting new investors.

Indicators suggesting that the motive behind the internationalisation of Chinese companies was a desire to increase the scale of their operations reflect the level of operational and organisational expansion of enterprises. The results of the analysis showed a statistically significant increase in each of the variables mentioned in the subsequent observation periods. Sales revenues increased moderately and were statistically significant: in T2 ( $\beta = 0.072$ ) and more strongly in period T3 ( $\beta = 0.228$ ). This may mean that after their going public, the companies tended to increase their market activity, which may be the result of better access to capital, wider international exposure and improved operational capacity.

The value of total liabilities (TL) also showed significant increases ( $\beta = 0.211$  in T2 and  $\beta = 0.383$  in T3), which may indicate increased use of debt instruments to finance development. At the same time, an increase in employment (EMP) and the value of tangible fixed assets (PPE) was observed, which confirms statistical significance. This may indicate scaling of production and organisational resources.

Moving on to the next group of variables, the results of the analysis indicate a significant decline in profitability ratios in both periods (ROA and ROE). In turn, the change in the EBT ratio in the second year after the IPO (T2) was statistically insignificant (p-value = 0.170), and the decline in T3 ( $\beta = -1.039$ ) reached significance at a level below 10% (p-value = 0.091). The results obtained may therefore contradict the assumption that entering European markets increased the profitability of operations. In contrast, they may indicate high costs of adaptation to regulatory requirements, fixed costs and information asymmetries in the new institutional environment. These results differ from those for the US market, where strong operating results are mainly reported (Zhang & King, 2010; Humphery-Jenner, 2012).

To assess the stability and durability of the observed effects, a robustness test was conducted. It consisted of re-estimating the GEE model using a data subset limited to the period of one year after the IPO due to data availability (see Table 7.8). They therefore cover companies debuting between 2002 and 2023. The inclusion of companies debuting in 2023 allows for ongoing validation of the results. Furthermore, if the results obtained from the initial sample are confirmed in analyses conducted on a larger group (albeit with a shorter observation period), the reliability of the conclusions increases.

A comparison of the results obtained indicates that several effects observed over the entire period (2002–2022) do not remain statistically significant in the analysis limited to the first year after IPO. This applies to indicators such as the total assets (TA), quick ratio (QRT), sales revenue (SAL), debt level (TL), employment (EMP) and value of fixed assets (PPE), which in the full model were characterised by significant intra-group effects, but lost this significance in the analysis embracing only time periods T1 and T2. These results suggest that some of the objectives of entering the European market, in particular those related to increasing the scale of operations and structural expansion, may require a longer time horizon to reveal their impact. For example, an increase in the value of fixed assets (PPE) may reflect gradual investments in infrastructure, resource development and capital accumulation, which cannot be observed in the short term after IPO.

In turn, the analysis revealed statistically significant differences in relation to several variables with a larger number of companies covered by the analysis, but over a shorter period of time. The variables for which statistically significant differences at the 10% level were found are PPETA, TLTA, SHO and EBT. In particular, the level of ownership concentration (SHO) decreased significantly immediately after the IPO ( $\beta = -1.333$ ; p-value < 0.001), which may indicate an immediate effect of investor base diversification and ownership dispersion, a phenomenon often observed in the case of share issues on foreign markets.

Table 7.8. Robustness tests for within-group effects for Chinese companies listed in European stock exchanges 2002–2023

Hypothesis	Dependent variable	Parameter	$\beta$	S.E.	95% Wald Confidence Interval		Wald Chi-square Statistic	p-value
					Lower	Upper		
H1: demand for capital	TA	Intercept	12.653	0.217	12.227	13.079	3393.302***	<0.001
		T2	-0.004	0.380	-0.748	0.740	0.000	0.992
	PPETA	Intercept	0.395	0.106	0.187	0.602	13.864***	<0.001
		T2	-0.187	0.108	-0.399	0.025	2.999*	0.083
	QRT	Intercept	0.883	0.116	0.656	1.111	57.844***	<0.001
		T2	0.140	0.191	-0.234	0.514	0.538	0.463
TLTA	Intercept	-1.310	0.128	-1.560	-1.060	105.378***	<0.001	
	T2	-0.340	0.185	-0.703	0.022	3.384*	0.066	
H2: investor base	FF	Intercept	3.986	0.064	3.861	4.110	3920.510***	<0.001
		T2	-0.145	0.105	-0.351	0.061	1.895	0.169
	DIV	Intercept	0.139	0.045	0.051	0.227	9.680***	0.002
		T2	0.150	0.078	-0.002	0.301	3.728*	0.054
	SHO	Intercept	12.911	0.146	12.624	13.198	7791.910***	<0.001
		T2	-1.333	0.390	-2.098	-0.569	11.679***	<0.001
H3: business expansion	SAL	Intercept	12.251	0.187	11.885	12.618	4296.907***	<0.001
		T2	-0.638	0.540	-1.697	0.421	1.395	0.238
	TL	Intercept	11.001	0.228	10.554	11.448	2328.798***	<0.001
		T2	0.314	0.449	-0.565	1.193	0.490	0.484
	EMP	Intercept	7.134	0.161	6.819	7.450	1962.284***	<0.001
		T2	-0.013	0.334	-0.668	0.642	0.002	0.969
PPE	Intercept	11.142	0.213	10.725	11.559	2739.804***	<0.001	
	T2	0.216	0.471	-0.707	1.138	0.210	0.647	
H4: profitability	ROA	Intercept	2.254	0.123	2.014	2.494	338.307***	<0.001
		T2	-0.940	0.322	-1.571	-0.309	8.527***	0.003
	ROE	Intercept	2.827	0.139	2.554	3.100	411.076***	<0.001
		T2	-0.794	0.380	-1.540	-0.049	4.365**	0.037
	EBT	Intercept	9.988	0.467	9.072	10.903	457.215***	<0.001
		T2	-2.158	1.120	-4.352	0.036	3.715*	0.054

Note: In all models, df are equal to 1. The level of significance is \*\*\* 1%, \*\* 5%, \*10%, respectively. TA – total assets, PPE – property, plant, equipment, QRT – quick ratio, TLTA – financial leverage, TL – total liability, FF – free float, DIV – dividend yield, SHO – shares outstanding, SAL – net sales or revenues, EMP – number of employees, ROA – return on assets, ROE – return on equity, EBT – EBITDA.

Source: own elaboration.

The robustness test confirmed the same results in case of variables FF, DIV, ROA and ROE. There persistent effects on profitability, in particular ROE ( $\beta = -0.794$ ; p-value = 0.037) and ROA ( $\beta = -0.940$ ; p-value = 0.003) may signal difficulties in the effective use of capital in the first year after the IPO.

The robustness test therefore indicates that internationalisation objectives, such as raising capital and expanding the scale of operations, are achieved in the medium and long term, while some structural changes, such as ownership dispersion, occur shortly after the IPO.

### **7.3.2. Between-group analysis of determinants of Chinese companies' entry into European stock markets**

After conducting an analysis of within-group effects, which aimed to assess changes occurring in companies over time, the next step was to examine the differences between the analysed groups of companies, i.e. Chinese companies listed on European stock exchanges and their counterparts operating only on the domestic market. This approach makes it possible to identify differences between groups that do not result only from temporal dynamics. Consequently, this analysis makes it possible to determine whether Chinese companies undertaking an IPO on European stock exchanges gain specific advantages linked to their foreign listing, which would not be achievable if they went public on their home market.

The analysis of between-group effects is an important addition to previous research and allows answering the question of whether Chinese companies deciding to issue shares on European markets differ systematically from those that remain active exclusively on the Chinese market. This approach not only allows for the verification of research hypotheses concerning the motivations behind the decision to enter a foreign capital market, but also for the identification of potential barriers or advantages that may influence companies' location decisions in terms of capital raising.

This part of the analysis is based on the average values of the examined variables for each entity. The GEE model is applied in a configuration that enables the identification of statistically significant differences between groups. The interpreted coefficients for the two periods (one year after IPO (T2) and two years after IPO (T3)) describe the differences in the rate of change of the indicators over time between the two groups, thus allow to capture the specificity of the post-IPO trajectory depending on the listing market. This approach ensures resistance to intra-cluster correlations and allows for the estimation of group effects in the context of panel data. The results of these analyses are presented in Table 7.9.

Table 7.9. Between-group effects for Chinese companies listed on European stock exchanges in 2002–2022

Hypothesis	Dependent variable	Time (ref. = T1)	$\beta$	S.E.	95% Wald Confidence Interval		Wald Chi-square Statistic	p-value
					Lower	Upper		
H1: demand for capital	TA	T2	-0.121	0.149	-0.412	0.171	0.658	0.417
		T3	-1.683	0.269	-2.211	-1.155	39.039***	<0.001
	PPETA	T2	0.177	0.124	-0.066	0.420	2.045	0.153
		T3	-0.083	0.157	-0.391	0.226	0.276	0.599
	QRT	T2	0.243	0.165	-0.081	0.567	2.157	0.142
		T3	-0.091	0.261	-0.602	0.421	0.121	0.728
	TLTA	T2	0.178	0.153	-0.122	0.479	1.356	0.244
		T3	-1.296	0.226	-1.739	-0.853	32.889***	<0.001
H2: investor base	FF	T2	-0.115	0.072	-0.256	0.027	2.519	0.113
		T3	0.015	0.085	-0.151	0.181	0.030	0.862
	DIV	T2	-0.275	0.122	-0.515	-0.036	5.078**	0.024
		T3	-0.075	-0.165	-0.397	0.248	0.206	0.650
	SHO	T2	0.013	0.160	-0.300	0.326	0.007	0.935
		T3	0.007	0.125	-0.238	0.251	0.003	0.958
H3: business expansion	SAL	T2	-0.664	0.387	-1.421	0.094	2.947*	0.086
		T3	-1.186	0.631	-2.422	0.049	3.540*	0.060
	TL	T2	-0.326	0.193	-0.703	0.052	2.856*	0.091
		T3	-0.394	0.205	-0.796	0.008	3.691*	0.055
	EMP	T2	-0.210	0.234	-0.668	0.248	0.806	0.369
		T3	-0.341	0.247	-0.825	0.142	1.917	0.166
	PPE	T2	-0.619	0.380	-1.364	0.125	2.657	0.103
		T3	-0.663	0.435	-1.516	0.189	2.326	0.127
H4: profitability	ROA	T2	-0.657	0.341	-1.326	0.012	3.708*	0.054
		T3	0.251	0.455	-0.641	1.144	0.305	0.581
	ROE	T2	-1.086	0.440	-1.948	-0.244	6.093**	0.014
		T3	-1.384	0.521	-2.404	-0.363	7.063***	0.008
	EBT	T2	-1.126	0.994	-3.075	0.823	1.282	0.258
		T3	-1.543	1.160	-3.816	0.729	1.772	0.183

Note: in all models, df are equal to 1. The level of significance is respectively \*\*\* 1%, \*\* 5%, \*10%. TA – total assets, PPE – property, plant, equipment, QRT – quick ratio, TLTA – financial leverage, TL – total liability, FF – free float, DIV – dividend yield, SHO – shares outstanding, SAL – net sales or revenues, EMP – number of employees, ROA – return on assets, ROE – return on equity, EBT – EBITDA.

Source: own elaboration.

The first set of indicators referring to the hypothesis H1 (TA, PPETA, QRT, TLTA), assumes that the goal of entering European markets was to raise capital. The TA indicator shows a significantly stronger decline in the group of Chinese companies going public in Europe in the third year after the IPO compared to the first year ( $\beta = -1.683$ ;  $p\text{-value} < 0.001$ ), which may indicate a lack of the expected increase in the scale of assets after entering the foreign market. Similarly, the significant decline in the long-term debt ratio ( $\beta = -1.296$ ;  $p\text{-value} < 0.001$ ), alongside the observed decrease in total assets, may suggest that companies deciding to enter foreign markets maintain a more conservative capital structure, less reliant on debt financing. The similar effects were observed in terms of markets in Hong Kong and the US (Liu *et al.*, 2017).

The lack of significant effects on QRT and PPETA may indicate that differences in liquidity and asset structure are not pronounced between the groups. It may seem that Chinese companies going public in Europe did not experience a significant increase in capital after their IPO, which call into question the effectiveness of this strategy. In this regard, the literature contains studies examining the situation of Chinese companies at the time of their debut. As Zhang & King (2010) point out, ‘issuers with lower financial leverage are more likely to issue an ADR, which is contrary to the prediction of the demand for external capital hypothesis that these issuers are motivated to list abroad due to exhausted debt capacity’. Companies issuing ADRs are characterised by higher profitability, larger size and lower financial indebtedness, which predisposes them to meet the stricter requirements of foreign listings and regulatory supervision (Zhang & King, 2010).

Subsequently, variables related to access to a broader investor base were analysed (H2). For the dividend ratio (DIV) in the second year after IPO, a significantly greater decline was observed in case of Chinese companies listed in Europe compared to domestic IPOs ( $\beta = -0.275$ ;  $p\text{-value} = 0.024$ ). This may mean that these companies are less likely to distribute profits, perhaps in order to reinvest them or due to restrictions resulting from their financial policy after the IPO. This is also confirmed by the study by Cheng *et al.* (2021) on the US and HK markets, which showed that cross-listed Chinese firms distribute lower dividends than domestic ones. The authors noticed that longer cross-listing is linked to more stable dividend payments. This may suggest that although the level of payouts is not a decisive factor, the stability of dividend policy may serve as a positive signal on international markets.

The indicators FF and SHO do not show significant differences, suggesting that some investor-related factors, such as dividend policy, differentiate the two groups, but there are insufficient grounds to conclude that foreign expansion results in broader or more active

investor participation. This is consistent with earlier research findings indicating that the goal of companies is not to increase their investor base abroad, but rather domestically. As indicated by the research of Chen *et al.* (2020), due to the reduction of information asymmetry, foreign listing may contribute to greater interest from domestic investors, which might be of interest to entities that mainly want to offer their instruments to domestic investors and additionally appear in the form of cross-listing on a foreign market. However, the mere participation of foreign investors in Chinese companies has a positive impact on the institutional environment and corporate governance of companies debuting in China (Tsafack & Guo, 2021). What is more, in the case of domestic companies with foreign institutional ownership acquired, among other things, through foreign listing, such foreign ownership significantly reduces M&A frequency and enhances performance (Liu *et al.*, 2024).

Perhaps foreign investors' reluctance to purchase Chinese securities is related to concerns about the enforcement of rights arising from these securities. These issues are highlighted by researchers Huang & Gu (2023), who recommend that China join international conventions that would minimise the risk of Chinese companies failing to comply with court rulings. This phenomenon can also be analysed more broadly in the context of the methods used to enter the stock market. Research of Cui (2024) highlights that companies like Alibaba and JD.com utilise the VIE structure to access international markets due to restrictions on direct listings. This suggests that their investor base likely includes global institutional and retail investors seeking exposure to Chinese tech firms, despite the inherent risks and complexities associated with VIE structures and the current geopolitical climate between China and the US.

The next group of indicators i.e. SAL, TL, EMP and PPE, is used to assess whether the goal of debuting on the European market was to increase the scale of operations (H3). For the variable SAL, the coefficient is negative and significant at the 10% level (p-value = 0.060). This indicates that European companies tend to have a lower value of SAL compared to domestic firms. The results of the empirical research confirm the findings of Zhang & King (2010) and Xu (2014), which referred to the foreign listings of Chinese companies, including European markets such as London and Frankfurt. In their research, they found that Chinese companies do not experience an increase in sales. The poor financial condition of Chinese companies at the time of their debut was already pointed out by Qian *et al.* (2022), who studied Chinese companies going public on major US stock exchanges between 1992 and 2021, found that out of 321 Chinese companies, as many as 144 (44.9%) reported a net loss at the time of their IPO. More recent studies, such as Dai (2019), have found different results. The author emphasised the role of foreign listings in expanding the customer base and increasing sales in

the context of Chinese companies, but his research referred to many foreign markets, mainly those in the US and HK, where these companies were listed. It can therefore be concluded that the effects showed by Dai (2019) have not been confirmed in the European context.

In the case of the TL variable, the opposite trend can be observed. This variable is statistically significant at the  $p = 0.055$  level, and its negative direction indicates a decrease in liabilities. The same observation was confirmed by literature on non-European markets. Research by Li *et al.* (2019) on the presence of Chinese companies in the US, Hong Kong and Singapore indicates that the institutional environment may influence capital costs for non-state-owned Chinese companies listed abroad. According to the authors, listing overseas can improve governance, reducing these firms' capital costs, therefore many non-SOEs prefer foreign listings to access cheaper external capital. It should also be borne in mind that recent studies indicate significant manipulation of the financial results of Chinese companies debuting on the Mainland China. As research of Wang *et al.* (2023) shows, when entering foreign stock exchanges, Chinese companies change the way they 'improve' their financial results. Instead of manipulating figures in accounting documents, as they do at home, they begin to change production or costs to make their profits look better. This research shows that this effect is particularly evident in private companies and those that do not operate on a large international scale. This also aligns with the broader concept of real earnings management, defined as deviations from standard business operations aimed at misleading stakeholders into believing that certain financial reporting goals were achieved through normal business activities. This often involving manipulation of real operational decisions to influence reported earnings (Le, 2025).

Furthermore, variables related to employment (EMP) and intangible assets (PPE) proved to be statistically insignificant. These conclusions regarding PPE are consistent with studies of foreign and domestic companies on the US market (Haman *et al.*, 2024). Therefore, it may seem that the scale of operations did not increase faster among companies entering foreign markets compared to companies debuting on domestic markets. Thus, on the contrary, their growth was more subdued.

Profitability assessed on the basis of ROA, ROE and EBT ratios shows the clearest differences between the groups. Both ROE ( $\beta = -1.384$ ;  $p\text{-value} = 0.008$ ) and ROA ( $\beta = -0.657$ ;  $p\text{-value} = 0.054$ ) show significantly stronger declines in the group of companies listed in Europe. These negative changes suggest that after their IPOs, these companies did not achieve higher capital and asset efficiency than domestic companies. In contrast, their profitability declined more rapidly. This may indicate adaptation difficulties, higher compliance costs or a limited

reputational effect after listing on a foreign market (Liu *et al.*, 2017). The poor financial condition of Chinese companies abroad was also confirmed by other researchers, who pointed to low firm valuation (Liu *et al.*, 2017) and poor operating and stock performance (Xu, 2014).

Although no statistically significant effects were observed for EBT, the direction of change remains consistently negative, which further supports the conclusion that profitability after IPO was not higher among Chinese companies listed abroad.

The results regarding the profitability is in line with the results of studies covering various stock markets globally. In the year of their IPO, companies achieve higher EBT values than private companies, but in subsequent years their operating profitability declines significantly, while that of private companies remains stable (Meles *et al.*, 2021).

An analysis of between-group effects indicates that Chinese companies that go public on the European stock exchanges did not achieve significantly better results in terms of key financial indicators in the three years following their IPO compared to companies listed domestically. In contrast, the results suggest that these companies experienced a relatively faster decline in both total assets and profitability, which was reflected in lower average returns on assets and equity. Furthermore, the dynamics of their operational expansion, as measured by indicators such as total sales, appeared to be less pronounced than in the group of companies listed on domestic markets. This may mean that the benefits of international listings did not immediately translate into better financial performance. Instead, these companies may have incurred additional adjustment costs associated with operating in a new institutional and regulatory environment, which temporarily limited their growth potential and profitability.

Next, similarly to the analysis of between-group effects, an additional examination was conducted covering companies that debuted between 2002 and 2023. Due to limited data availability (i.e. lack of data for the third moment for companies listed in 2023), the scope of the analysis was limited to one year after the IPO. The results, presented in Table 7.10, allow to assess whether the patterns and relationships observed earlier also persist in a broader and more diverse group of companies.

Notably, the results obtained were confirmed for most of the variables analysed. The exception is the PPETA ratio, where statistically significant differences of 10% were observed in the case of a broader sample, indicating that Chinese companies debuting in Europe have a higher share of fixed assets in their asset structure than similar companies debuting in China. However, due to the low statistical significance and the lack of confirmation of this relationship in previous analyses, conclusions should be drawn with caution.

Table 7.10. Robustness test of between-group effects for Chinese companies listed in Europe in 2002–2023

Hypothesis	Dependent variable	$\beta$	S.E.	95% Wald Confidence Interval		Wald Chi-square Statistic	p-value
				Lower	Upper		
H1: demand for capital	TA	0.162	0.155	-0.142	0.465	1.092	0.296
	PPETA	0.184	0.108	-0.027	0.395	2.922*	0.087
	QRT	0.220	0.144	-0.062	0.503	2.333	0.127
	TLTA	0.409	0.153	0.109	0.710	7.147**	0.008
H2: investor base	FF	-0.098	0.063	-0.222	0.025	2.453	0.117
	DIV	-0.293	0.114	-0.516	-0.070	6.655**	0.010
	SHO	0.012	0.139	-0.259	0.284	0.008	0.930
H3: business expansion	SAL	-0.562	0.337	-1.222	0.098	2.783*	0.095
	TL	-0.278	0.168	-0.608	0.051	2.740*	0.098
	EMP	-0.663	0.435	-1.516	0.189	2.326	0.127
	PPE	-0.479	0.306	-1.080	0.121	2.448	0.118
H4: profitability	ROA	-0.188	0.203	-0.586	0.210	0.858	0.354
	ROE	-0.785	0.397	-1.183	-0.007	3.907**	0.014
	EBT	-0.077	1.010	-2.057	1.903	0.006	0.939

Note: the referral time is T1; \*\*\* 1%, \*\* 5%, \*10% level of significance, respectively. TA – total assets, PPE – property, plant, equipment, QRT – quick ratio, TLTA – financial leverage, TL – total liability, FF – free float, DIV – dividend yield, SHO – shares outstanding, SAL – net sales or revenues, EMP – number of employees, ROA – return on assets, ROE – return on equity, EBT – EBITDA.

Source: own elaboration.

The differences in the results obtained also apply to the variable reflecting financial leverage. When the sample was expanded, statistically significant differences were also observed in period T2. These results indicate that Chinese companies listed on European stock exchanges are characterised by a higher share of liabilities in their asset structure (higher relative debt levels) than domestic companies debuting in China. In period T3, this relationship is reversed, which may indicate a change in the financing strategy of Chinese companies after a certain period of presence on the European market or an adaptation of these entities to local market conditions.

The last difference observed concerns the ROA variable. Unlike the previous conclusion, in this case it cannot be said that the differences between the two groups of companies are statistically significant in period T2. However, previously, the significance was low at 10% and only in relation to period T2, therefore it can be considered that the robustness test supports the absence of statistically significant differences between Chinese companies

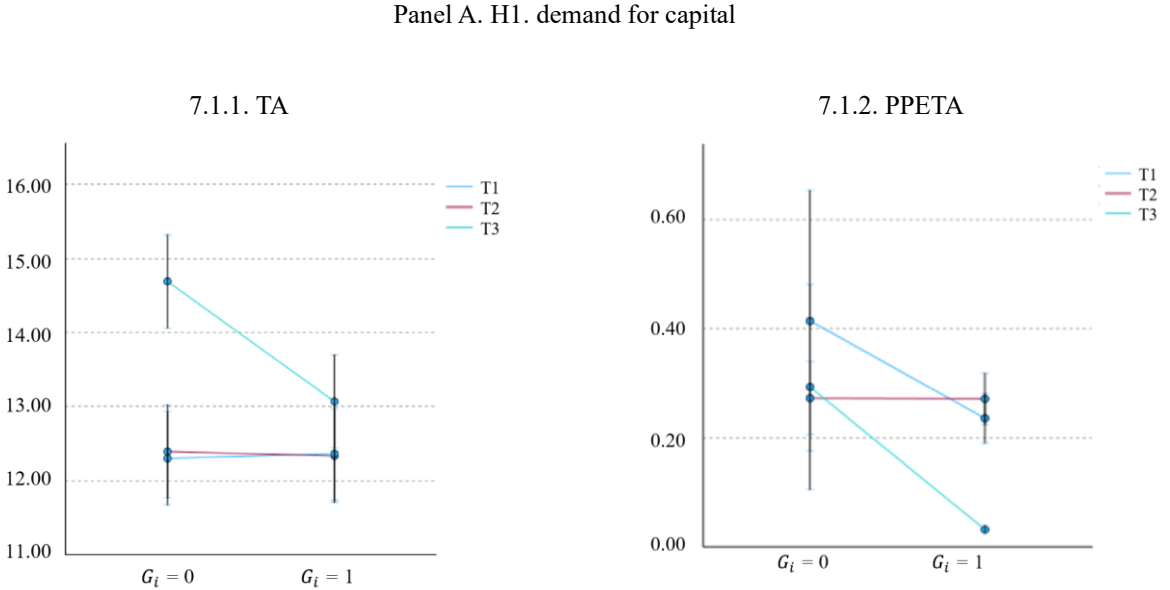
debuting in Europe and Chinese companies entering stock exchanges in China with regard to this variable reflecting the company's profitability.

To conclude, based on the robustness tests performed, it can be stated that the results obtained are consistent with the basic findings presented earlier in the analysis. Generally, both the directions and the relative strength of the effects remain consistent, indicating the stability and internal consistency of the estimates. The persistence of key relationships with respect to the T2 period reinforces the credibility of the conclusions regarding the differences between groups of companies and their development trajectories after listing on capital markets. Additional analysis may therefore confirm that the results presented above are not an artefact of a specific measurement period, but reflect structural differences in the functioning and adaptation of Chinese companies depending on the location of their IPO.

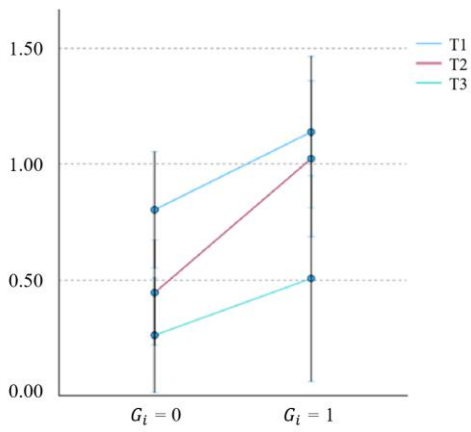
**7.3.3. Analysis of the effects of interactions or differences between groups over time**

The analysis conducted above provided a considerable amount of essential insights into the phenomenon regarding listing of Chinese companies in Europe. In order to facilitate the interpretation of the detailed results of the GEE model, a graphical visualisation was also developed, namely Estimated Marginal Means (EMM). The results of this analysis are illustrated in Chart 7.1.

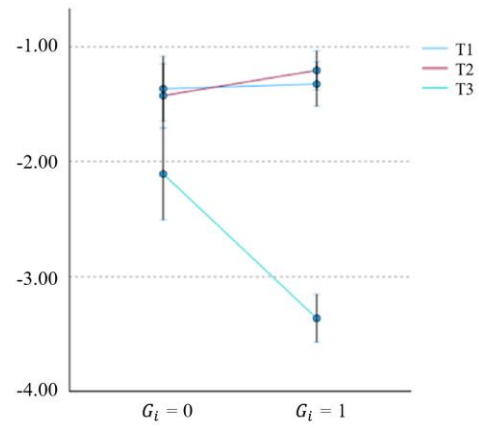
Chart 7.1. Estimated marginal means by group type and time



7.1.3. QRT

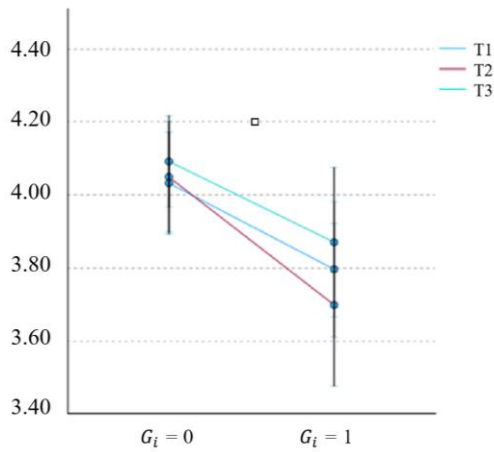


7.1.4. TLTA

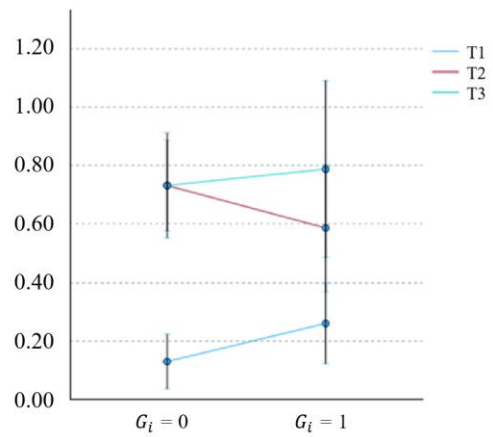


Panel B. H2. investor base

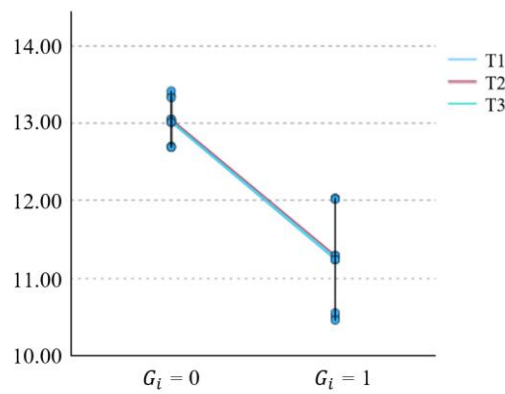
7.1.5. FF



7.1.6. DIV

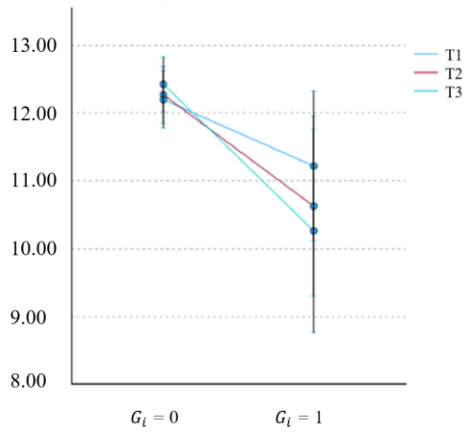


7.1.7. SHO

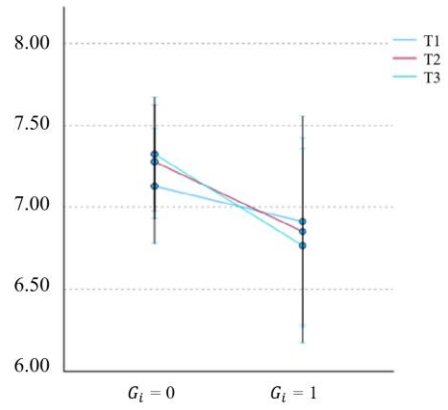


Panel C. H3. business expansion

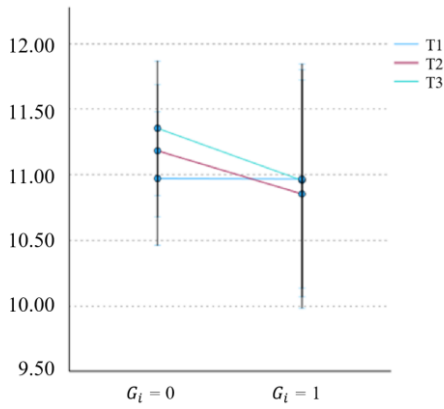
7.1.8. SAL



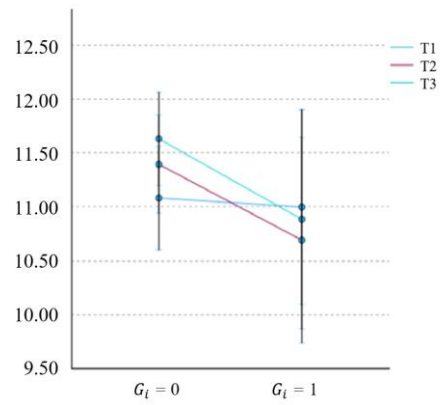
7.1.9. EMP



7.1.10. TL

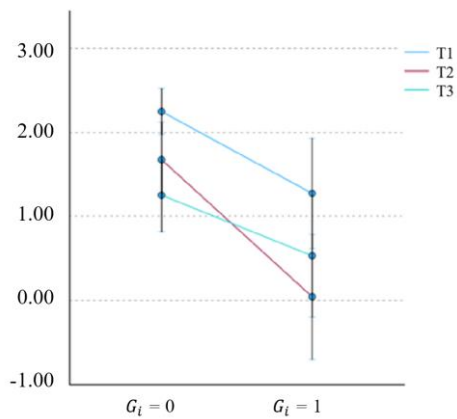


7.1.11. PPE

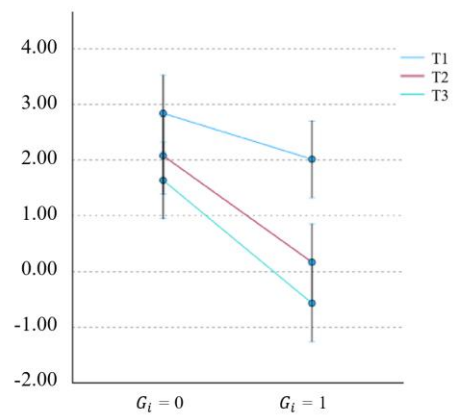


Panel D. H4. profitability

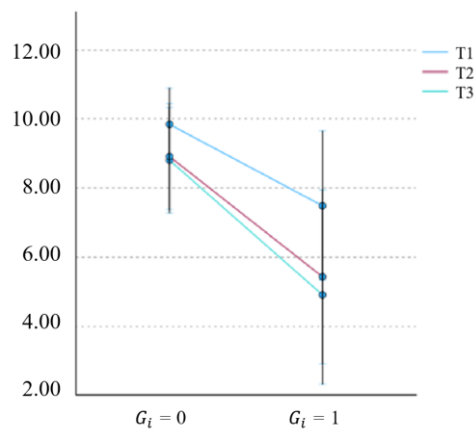
7.1.12. ROA



7.1.13. ROE



#### 7.1.14. EBT



Source: own elaboration.

The EMMs represent the model's predicted values of the dependent variable, adjusted for the influence of other explanatory variables, which allows for an objective comparison of groups assuming a constant level of other factors. Unlike raw empirical averages, which may be subject to error due to the presence of confounding variables, EMMs provide a basis for analysing differences between the categories under study. The charts are presented in the form of bars or dots corresponding to the predicted average response values for individual levels of significant permanent effects, with 95% confidence intervals. Each colour corresponds to the individual years covered by the analysis (T1, T2 or T3). This visualisation allows for quick identification of differences between groups and assessment of the accuracy of estimates.

In this study, the average margin charts showed that only in the case of the dependent variable QRT were the values higher for Chinese companies debuting in Europe than for those debuting in China. However, this variable proved to be statistically insignificant in the study, which may undermine the conclusions presented in the chart. In other cases, these graphs confirm the results obtained in the between-group effect study.

#### 7.4. Model assumptions and fit

In order to assess the accuracy of the adopted models for estimating within-group and between-group effects, diagnostic tests based on Wald statistics were performed. These tests allow for the verification of the significance of individual effects in GEE models by comparing the variance explained by the model with the unexplained variance. This subsection presents the results of tests conducted separately for two research periods: for a sample of Chinese companies going public in 2002–2022 and for an extended time frame also including 2023,

with the latter analysis considering only data from the first year after IPO. The analysis begins with a discussion of the results for companies between 2002 and 2022 (see Table 7.11).

Table 7.11. The assessment of the significance of model based on the Wald's test

Hypothesis	Model	Intercept <sup>1</sup>	Time <sup>2</sup>	Group <sup>1</sup>	Interaction of Time and Group effects <sup>2</sup>
H1: demand for capital	TA	3591.339*** ( $<0.001$ )	164.063*** ( $<0.0001$ )	1.575 (0.209)	44.911*** ( $<0.001$ )
	PPETA	79.511*** ( $<0.001$ )	5.820* (0.054)	6.696** (0.010)	9.216** (0.010)
	QRT	53.047*** ( $<0.001$ )	20.337*** ( $<0.001$ )	4.081** (0.043)	5.804* (0.055)
	TLTA	543.146*** ( $<0.001$ )	204.258*** ( $<0.001$ )	4.614** (0.032)	53.391*** ( $<0.001$ )
H2: investor base	FF	4423.498*** ( $<0.001$ )	9.207** (0.010)	5.227** (0.022)	4.506 (0.105)
	DIV	94.054*** ( $<0.001$ )	67.674*** ( $<0.001$ )	0.015 (0.902)	6.025** (0.049)
	SHO	3413.463*** ( $<0.001$ )	00.352 (0.838)	18.067*** ( $<0.001$ )	0.007 (0.997)
H3: business expansion	SAL	1285.883*** ( $<0.001$ )	1.953 (0.377)	6.190** (0.013)	3.971 (0.137)
	TL	1963.206*** ( $<0.001$ )	4.277 (0.118)	0.239 (0.625)	3.971 (0.137)
	EMP	1804.123*** ( $<0.001$ )	0.202 (0.904)	1.450 (0.228)	2.212 (0.331)
	PPE	1980.731*** ( $<0.001$ )	3.637 (0.162)	1.044 (0.307)	2.721 (0.257)
H4: profitability	ROA	47.511*** ( $<0.001$ )	29.278*** ( $<0.001$ )	10.576*** (0.001)	7.081** (0.029)
	ROE	44.248*** ( $<0.001$ )	56.860*** ( $<0.001$ )	16.151*** ( $<0.001$ )	8.270** (0.016)
	EBT	138.484*** ( $<0.001$ )	12.010*** (0.002)	6.388** (0.011)	1.982 (0.371)

Note: <sup>1</sup> df are equal to 1; <sup>2</sup> df are equal to 2; \*\*\* 1%, \*\* 5%, \*10% level of significance respectively. TA – total assets, PPE – property, plant, equipment, QRT – quick ratio, TL – total liability, TLTA – financial leverage, FF – free float, DIV – dividend yield, SHO – shares outstanding, SAL – net sales or revenues, EMP – number of employees, ROA – return on assets, ROE – return on equity, EBT – EBITDA. The p-value is provided in the brackets.

Source: own elaboration.

The analysis covers four key components of the model Intercept, Time, Group and the interaction between these elements (Time  $\times$  Group). The results of the model effect tests confirm the accuracy of previous analyses, indicating consistency of the results obtained in terms of statistically significant effects. The model components indicate that the variables

included in the study mostly reach a level of significance consistent with the previous results of regression coefficient estimation.

In particular, the Group effect, referring to differences between Chinese companies going public on European markets and those listed in China for the first time, remains significant for those variables that previously indicated structural differences between the groups, which strengthens the argument for the persistence of these differences. Similarly, the Time effect, representing changes over time within the entire sample, confirms the significant development trends observed in the within-group analysis.

The interaction component (Time  $\times$  Group) is of the greatest interpretative significance, indicating different trajectories of change between the two groups of companies. The significance of this effect in many cases reconfirms that the impact of time on dependent variables is not uniform, but varies depending on the listing market, which is fully consistent with the earlier results of the GEE models.

In the next stage of the analysis, model effects were tested (Wald Chi-Square statistics) for an expanded sample of Chinese companies going public between 2002 and 2023 (see Table 7.12). The results obtained remain highly consistent with those of the previous model, which significantly strengthens their reliability and suggests stability of the effects regardless of the length of the observation period.

The Wald Chi-Square statistics for the key components of the model indicate the significance of the same effects that were presented for this sample of companies when examining within-group and between-group effects. In particular, the Group effect again reveals significant differences between Chinese companies entering the European market and those that have chosen the domestic market. Similarly, the Time component remains significant for those indicators that reflect post-IPO changes in T2 period.

The most cognitively significant finding is the confirmation of the Time  $\times$  Group effect, which indicates different patterns of change between the two groups of companies even in such a short observation period. This shows that the strategic and structural differences between companies choosing foreign markets and those raising capital locally become apparent immediately after their debut and persist regardless of the length of observation.

Table 7.12. Robustness tests of model effects based on the Wald Chi-Square statistics

Hypothesis	Model	Intercept	Time effect	Group effect	Interaction of Time and Group effects
H1: demand for capital	TA	3591.339*** ( $<0.001$ )	0.039 (0.843)	4.458** (0.035)	1.092 (0.296)
	PPETA	78.943*** ( $<0.001$ )	2.449 (0.118)	1.272 (0.259)	2.922* (0.087)
	QRT	91.936*** ( $<0.001$ )	2.037 (0.154)	9.600** (0.002)	2.333 (0.127)
	TLTA	319.055*** ( $<0.001$ )	0.628 (0.428)	1.592 (0.207)	7.147** (0.008)
H2: investor base	FF	5067.746*** ( $<0.001$ )	3.143* (0.076)	1.175 (0.278)	2.453 (0.117)
	DIV	110.470*** ( $<0.001$ )	0.001 (0.974)	73.875 ( $<0.001$ )	6.655** (0.010)
	SHO	4172.759*** ( $<0.001$ )	12.211*** ( $<0.001$ )	0.349 (0.554)	0.008 (0.930)
H3: business expansion	SAL	1742.957*** ( $<0.001$ )	2.637 (0.104)	1.954 (0.162)	2.783* (0.095)
	TL	2488.162*** ( $<0.001$ )	0.152 (0.697)	0.431 (0.511)	2.740* (0.098)
	EMP	2207.820*** ( $<0.001$ )	0.123 (0.725)	0.175 (0.675)	0.858 (0.354)
	PPE	2505.408*** ( $<0.001$ )	0.019 (0.889)	0.027 (0.870)	2.841* (0.092)
H4: profitability	ROA	69.476*** ( $<0.001$ )	13.102*** ( $<0.001$ )	30.960*** (0.001)	2.448 (0.118)
	ROE	92.201*** ( $<0.001$ )	9.978** (0.002)	39.715*** ( $<0.001$ )	3.907** (0.048)
	EBT	200.199*** ( $<0.001$ )	3.604* (0.058)	8.216** (0.004)	0.006 (0.939)

Note: \*\*\* 1%, \*\* 5%, \*10% level of significance, respectively. TA – total assets, PPE – property, plant, equipment, QRT – quick ratio, TLTA – financial leverage, TL – total liability, FF – free float, DIV – dividend yield, SHO – shares outstanding, SAL – net sales or revenues, EMP – number of employees, ROA – return on assets, ROE – return on equity, EBT – EBITDA. The p-value is provided in the brackets.

Source: own elaboration.

In the next stage of the analysis, Table 7.13 presents the values of model fit statistics: QIC and QICC, which are used to assess the quality of the fit of models estimated using the GEE method. These indicators allow for the comparison of alternative correlation structures and the assessment of the impact of the selection of specific variables on the overall accuracy of the model. The results of the tests for sample covering the years 2002–2022 and the extended sample including 2023 are presented in Table 7.13.

Table 7.13. Goodness of fit tests

Hypothesis	Model	Models for companies listed 2002–2022		Models for companies listed 2002–2023	
		QIC	QICC	QIC	QICC
H1: demand for capital	TA	2111.023	2111.023	1465.293	1465.293
	PPETA	103.164	103.164	69.113	69.113
	QRT	545.421	545.421	340.893	340.893
	TLTA	394.956	394.956	332.977	332.977
H2: investor base	FF	177.538	177.538	127.929	127.929
	DIV	212.198	212.198	108.229	108.229
	SHO	1884.465	1884.465	1385.976	1385.976
H3: business expansion	SAL	5212.450	5212.450	3232.885	3232.885
	TL	2730.815	2730.815	1933.475	1933.475
	EMP	1314.827	1314.827	959.565	959.565
	PPE	3063.217	3063.217	2133.280	2133.280
H4: profitability	ROA	1782.373	1782.373	1207.091	1207.091
	ROE	2528.270	2528.270	1678.353	1678.353
	EBT	21174.212	21174.212	14774.180	14774.180

Note: TA – total assets, PPE – property, plant, equipment, QRT – quick ratio, TLTA – financial leverage, TL – total liability, FF – free float, DIV – dividend yield, SHO – shares outstanding, SAL – net sales or revenues, EMP – number of employees, ROA – return on assets, ROE – return on equity, EBT – EBITDA.

Source: own elaboration.

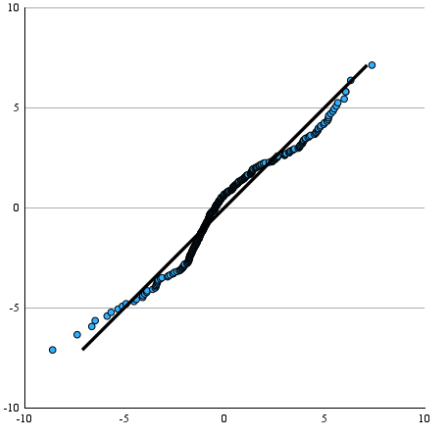
All analysed models are characterised by identical QIC and QICC values. This means that the application of a correction (QICC) that considers the complexity of the model and the number of parameters does not change the classification of the fit. Thus, the choice of the intra-unit correlation structure (i.e. independence, exchangeable, autoregressive, unstructured) does not significantly affect the quality of the estimated models in the context of the adopted specification. The parallelism of the QIC and QICC results confirms that the results obtained are robust to changes in the data structure and the estimation adjustments adopted, and that comparisons between alternative models are methodologically stable. Such interpretative consistency indicates a high degree of coherence in the construction of GEE models and the possibility of considering their results reliable regardless of potential differences in the number of observations or estimation variants.

In the next part of the diagnostic procedure, Pearson residuals were analysed using quantile-quantile plots (QQ plots) to assess the adequacy of the estimated GEE models. The results are presented in Chart 7.2.

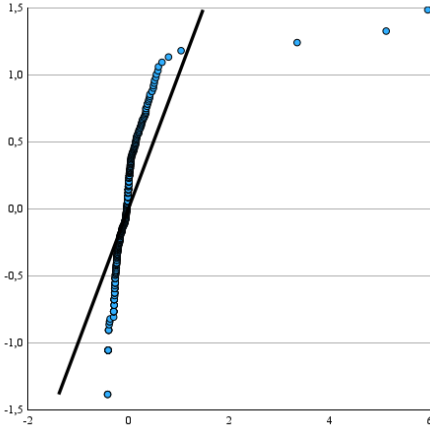
Chart 7.2. QQ plots

Panel A. H1: demand for capital

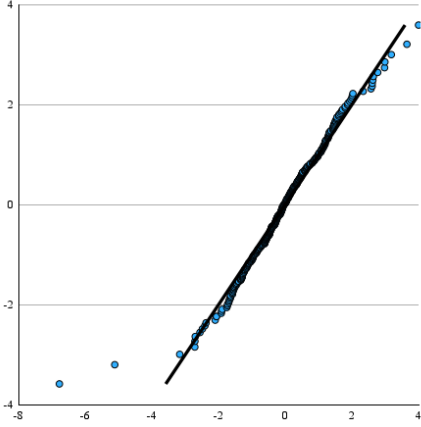
7.2.1. TA



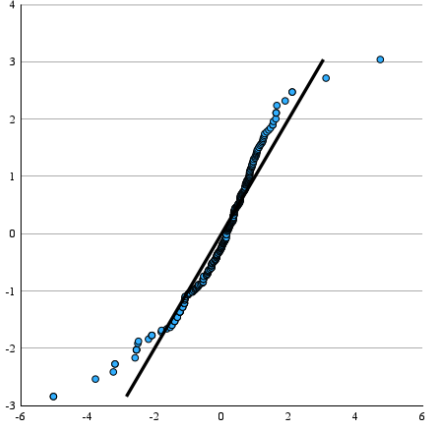
7.2.2. PPETA



7.2.3. QRT

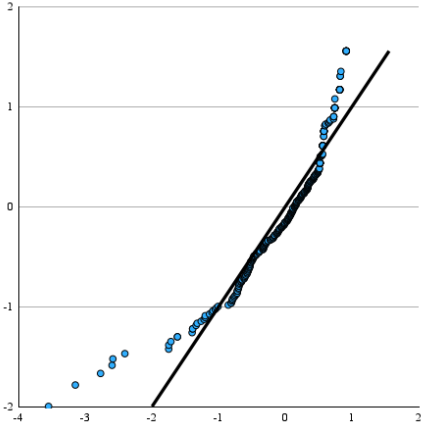


7.2.4. TLTA

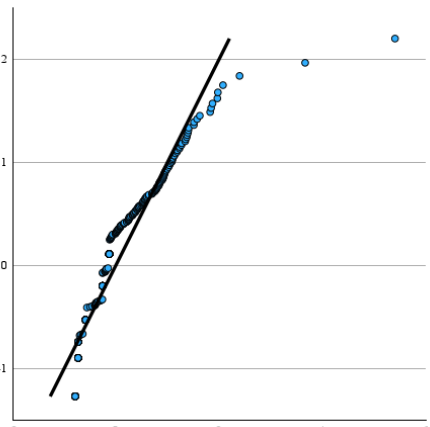


Panel B. H2: investor base

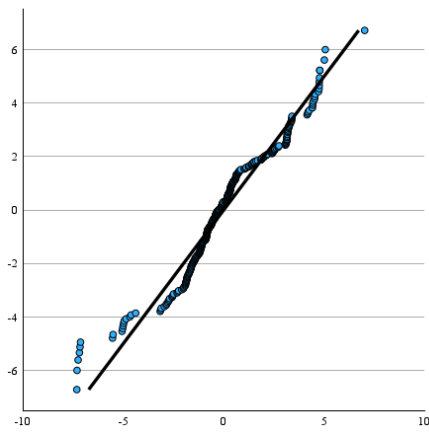
7.2.5. FF



7.2.6. DIV

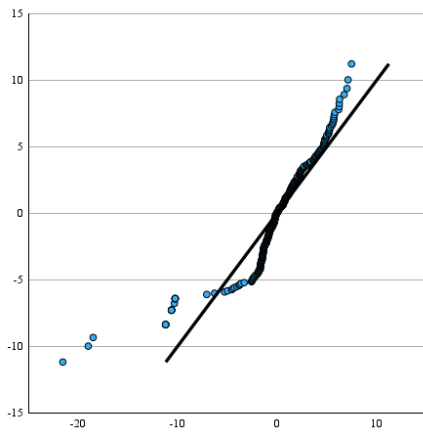


7.2.7. SHO

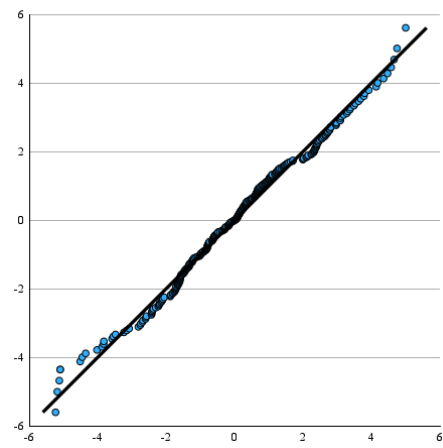


Panel C. H3: business expansion

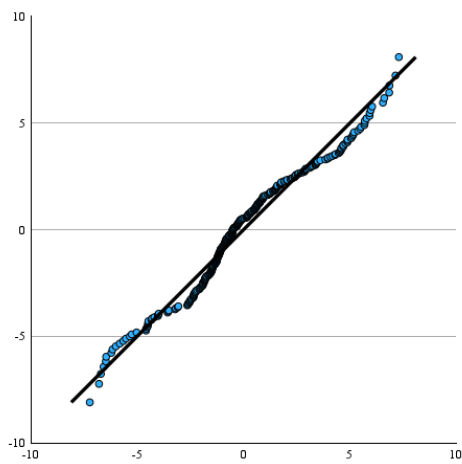
7.2.8. SAL



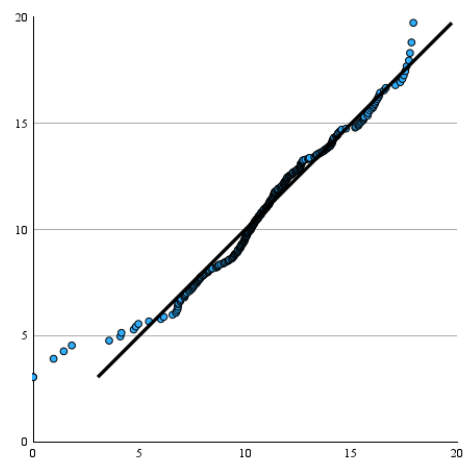
7.2.10. EMP



7.2.9. TL

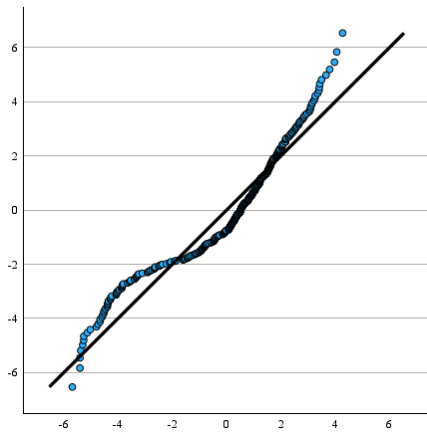


7.2.11. PPE

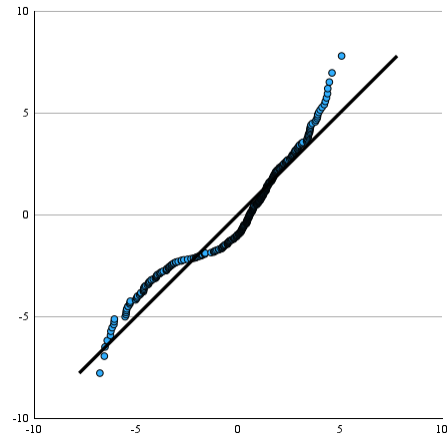


Panel D. H4: profitability

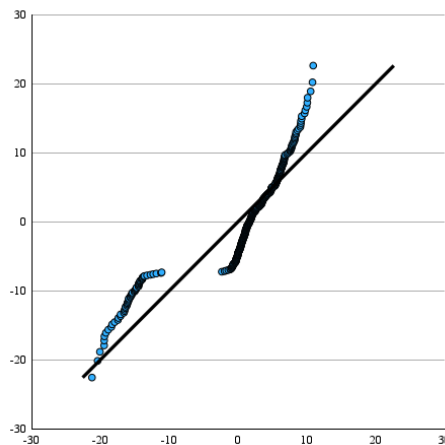
7.2.12. ROA



7.2.13. ROE



7.2.14. EBT



Source: own elaboration.

This method is one of the primary tools for visual assessment of the conformity of the distribution of residuals with the theoretical distribution, most often normal, and enables the identification of potential violations of model assumptions, such as distribution asymmetry (skewness) or excessive concentration of values around the mean or in the tails of the distribution (leptokurticity). The QQ plots presented in Chart 7.2 provide supplementary information to classic statistical tests, allowing for a more detailed recognition of the structure of residuals and an assessment of the quality of the model fit to the data. In the case of a perfect model fit, the points on the QQ chart should be close to the reference line, which means that the distribution of residuals is close to the assumed one. Significant deviations from this line,

especially at the ends of the chart, may indicate the presence of outliers or the inadequacy of the adopted model (e.g., an incorrect link function or insufficient explanation of variance).

In this study, Pearson's residuals for all analysed GEE models showed a pattern consistent with the assumed line, with only minor deviations at the ends of the distribution. No systematic deviations or patterns indicating a violation of the error distribution assumptions were observed. Thus, it can be assumed that the model fit is satisfactory and that the adopted specification (link function and variance structure) is adequate for the data.

These results also support earlier conclusions based on the analysis of residual plots against predicted values, which did not reveal any significant patterns suggesting heteroscedasticity or model specification errors.

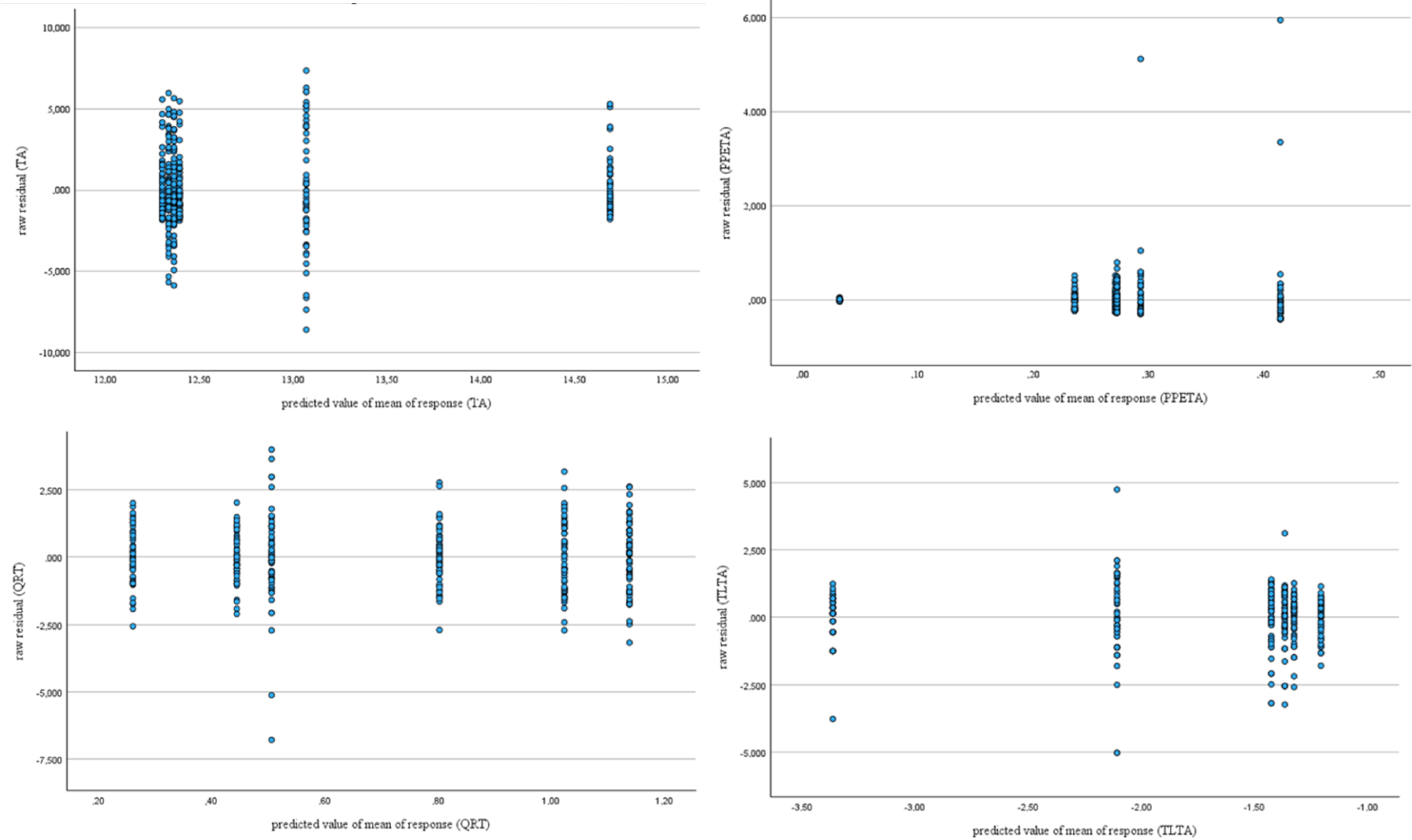
Additionally, raw residuals plots as a function of predicted values of the mean response were prepared to diagnose the fit of GEE models (see Chart 7.3). These plots enable assessment as to whether there are systematic patterns in the model indicating incorrect specification of the link function or inappropriate modelling of data variability.

In addition, the distribution of residuals provides important insights into the adequacy of the model. Ideally, residuals should display homoscedasticity, meaning that their variance remains constant across the range of predicted values. Patterns such as increasing or decreasing spread, often visible as funnel shapes, suggest heteroscedasticity, which may lead to inefficient parameter estimates and biased standard errors. Non-linear patterns in residuals can indicate that the chosen functional form or link function is inappropriate, implying that the relationship between independent and dependent variables is not fully captured. Furthermore, the presence of clusters, trends, or systematic structures may point to omitted variables, interactions, or model misspecification. Outliers and high-leverage points require careful examination, as they can disproportionately influence model estimates and overall fit. Complementary diagnostic tools, such as quantile-quantile (Q-Q) plots for normality, plots further support the evaluation of model assumptions. Thus, these diagnostic procedures are essential for ensuring the validity, reliability, and interpretability of the model, and for guiding potential model refinements or transformations.

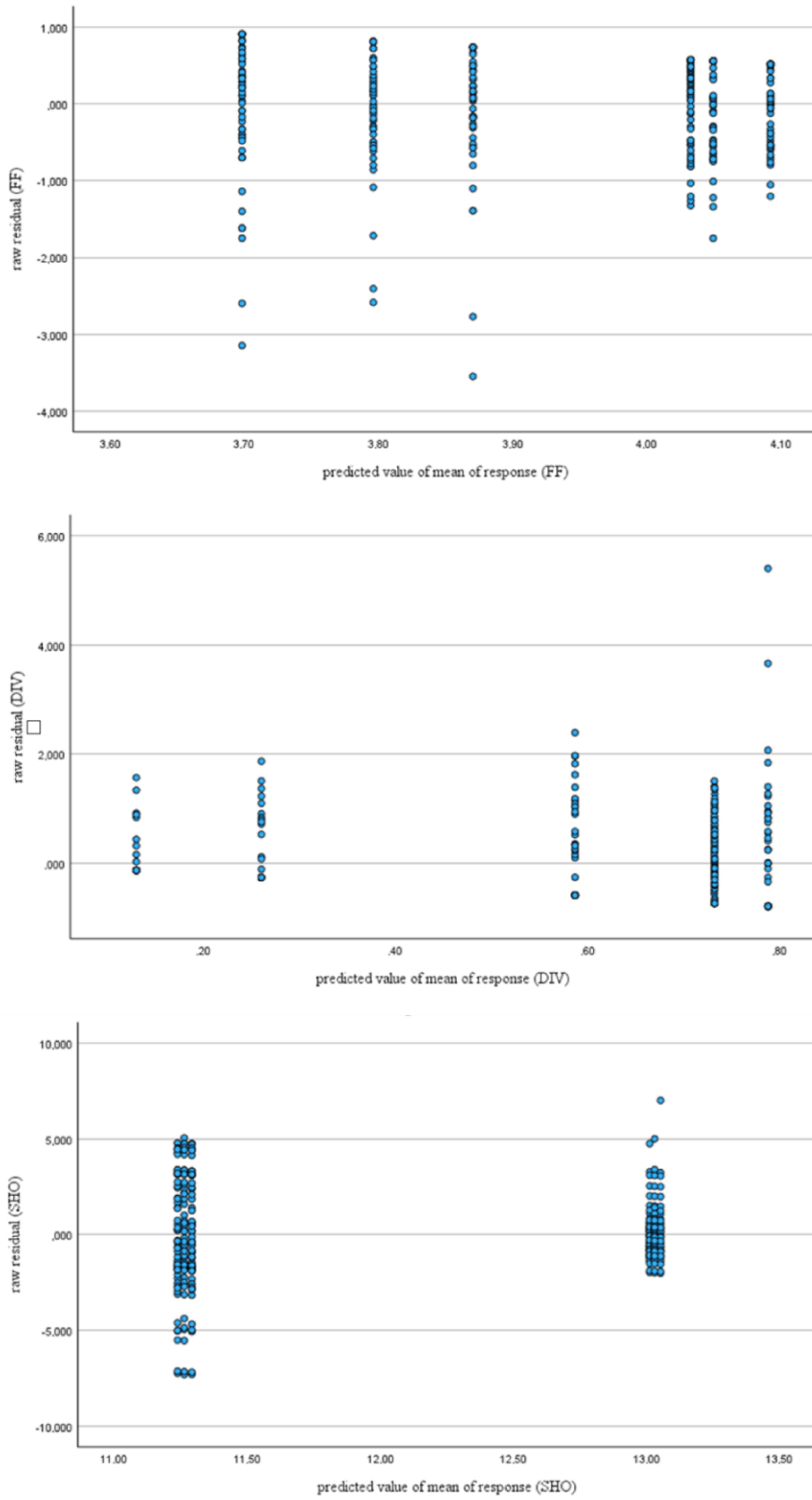
In the case of a correctly fitted model, the residuals should be randomly scattered around zero, with no visible structures, trends or patterns dependent on the predicted values. Any funnel shapes could indicate heteroscedasticity, while clear non-linear patterns could suggest an inappropriate choice of link function.

Chart 7.3. Raw residual plots

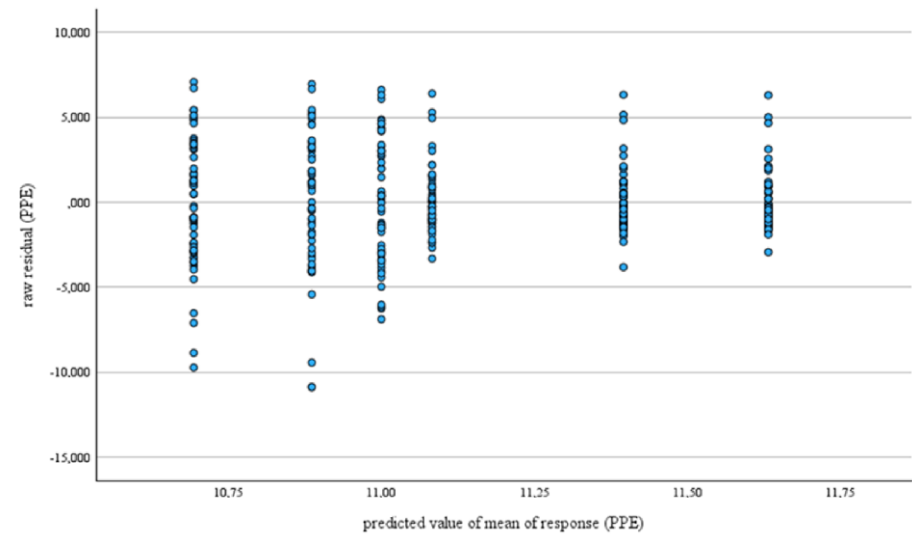
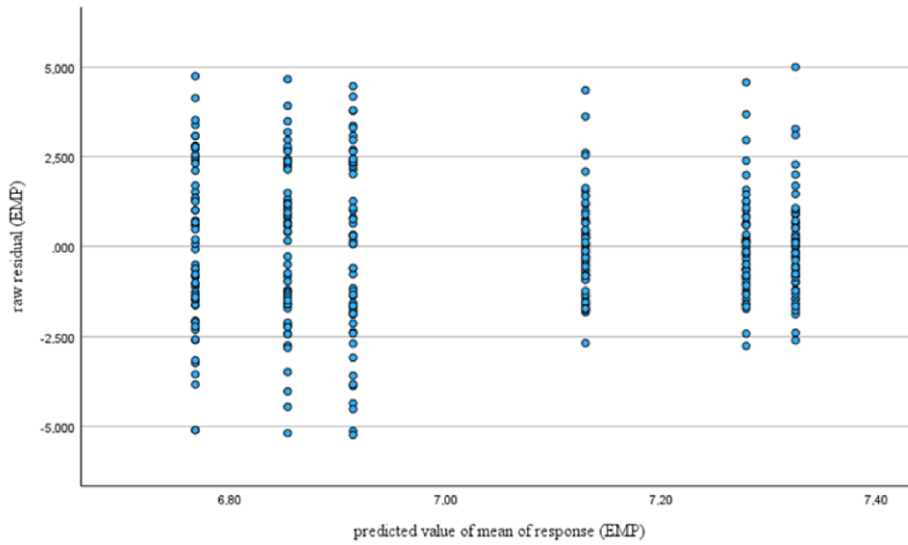
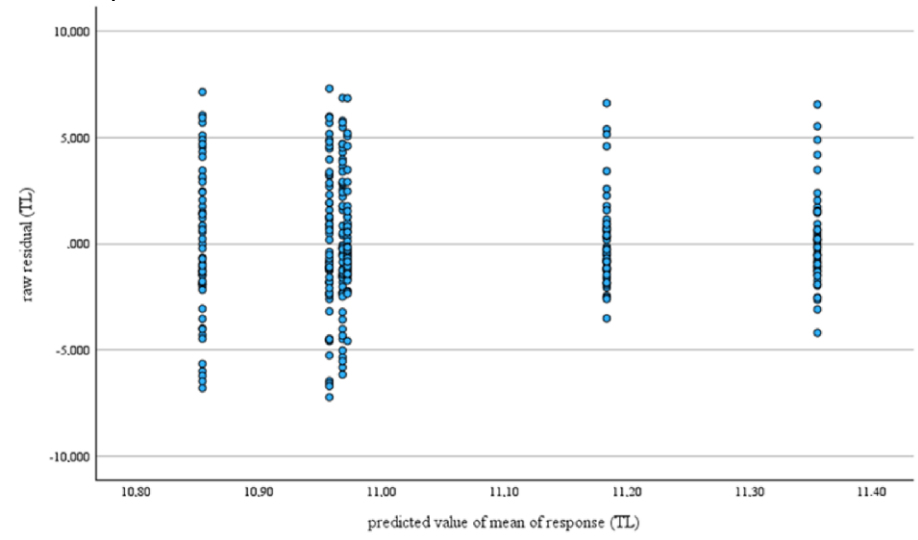
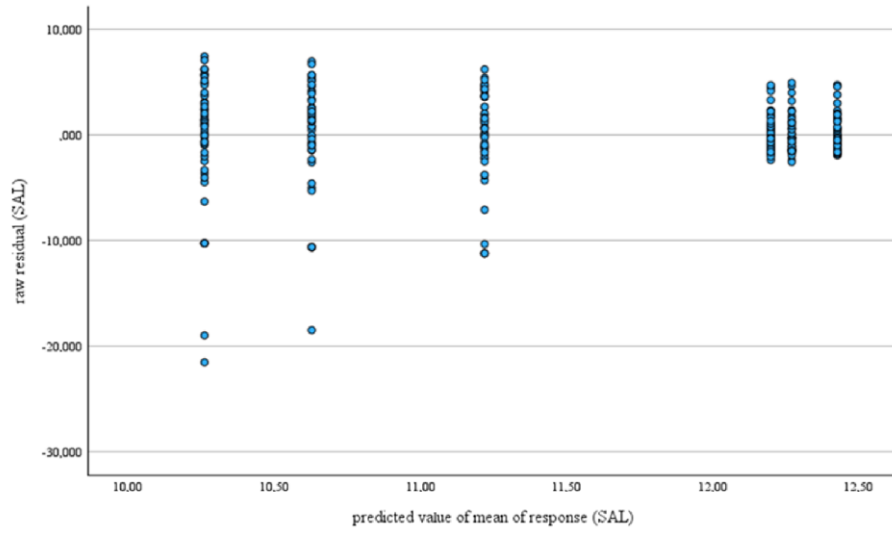
Panel A. H1: demand for capital



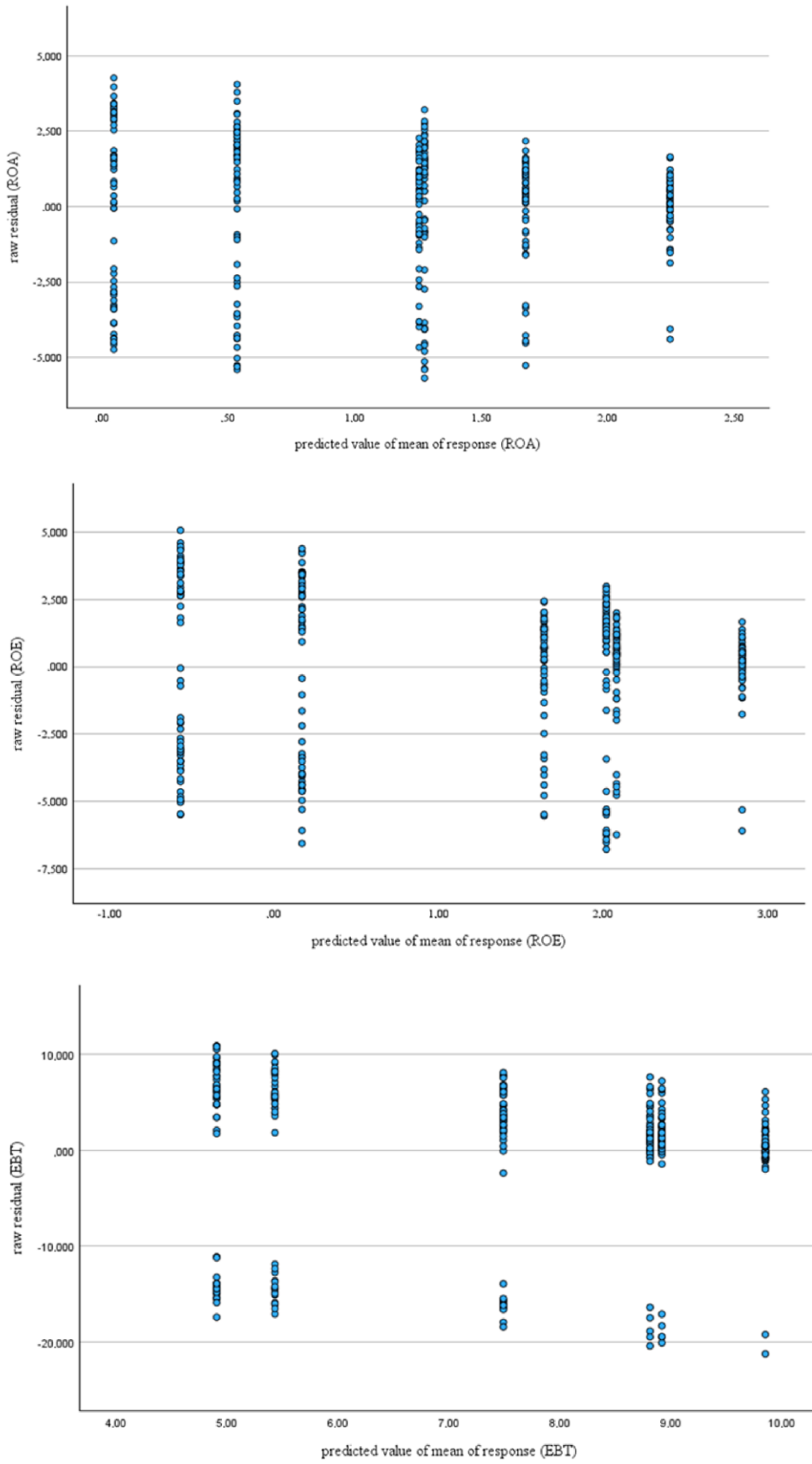
Panel B. H2: investor base



Panel C. H3: business expansion



Panel D. H4: profitability



Source: own elaboration.

In this study, for all estimated GEE models, the residual distribution did not show any visible systematic patterns. The points were evenly scattered around the zero line, which indicates that the adopted link function correctly describes the relationship between the explanatory variables and the mean response value. No typical signs of heteroscedasticity were observed, such as widening or narrowing of the range of residuals as the predicted values increased (Vens & Ziegler, 2012).

The results obtained therefore indicate that the GEE models are stable and that the adopted specification, both in terms of correlation structure and link function, is adequate for the analysed data.

## **7.5. Summary**

The aim of the empirical analysis was to identify the key economic determinants of Chinese companies' decisions regarding the choice of location for their IPO i.e. in Europe or on stock markets in China. In particular, the part of the study focused on verifying four supporting hypotheses relating to the potential motivations of companies: the need to raise capital, the expansion of the investor base, the catalyst for corporate operations, and the pursuit of improved profitability ratios. To this end, both non-parametric methods in comparative analyses and GEE were used, which allow for the inclusion of panel data with repeated measurements over time and control for internal autocorrelation. In addition, a number of diagnostic tests were used (including Wald Chi-Square statistics, QIC/QICC, QQ plots for Pearson residuals and plots showing raw residuals), the results of which confirmed the adequacy of the fitted models and the stability of the obtained effects.

The results of the U-Test, Mann–Whitney U and Median tests provided initial evidence of statistically significant differences between groups of companies in relation to a number of financial variables, which justified further modelling based on the GEE method.

GEE models allowed for repeated measurements over time (one or two sequential years after the IPO) and controlled for intra-subject dependencies, enabling a reliable estimation of time, group and interaction effects. The summary of the obtained results are presented in Table 7.14.

Regarding the hypotheses related to capital raising (H1), both between-group analysis and within-group effects provided significant empirical evidence. In particular, it was found that, compared to companies listed on Chinese stock exchanges, companies listed on European stock exchanges were characterised by lower total assets (TA) and a decline in debt ratio leverage (TLTA). Within-group effects indicated an improvement only in the case of TA, while

for the other indicators, the observed values declined steadily over time in the group of European companies. This means that no evidence can be found to support the thesis that raising capital was the key objective of these issues.

Table 7.14. The results of testing of economic hypothesis

Type of hypothesis	Variable	Within-group effects			Between-group effects			Hypothesis verification
		GEE model		Robustness tests	GEE model		Robustness tests	
		T2	T3		T2	T3		
H1: demand for capital	TA	↑	↑	●	●	↓	●	X
	PPETA	●	●	↓	●	●	↑	X
	QRT	↓	↓	●	●	●	●	X
	TLTA	●	↓	↓	●	↓	↑	X
H2: investor base	FF	●	●	●	●	●	●	X
	DIV	↑	↑	↑	↓	●	↓	X
	SHO	●	↑	↓	●	●	●	X
H3: business expansion	SAL	↑	↑	●	↓	↓	↓	X
	TL	↑	↑	●	↓	↓	↓	X
	EMP	↑	↑	●	●	●	●	X
	PPE	↑	↑	●	●	●	●	X
H4: profitability	ROA	↓	↓	↓	↓	●	●	X
	ROE	↓	↓	↓	↓	↓	↓	X
	EBT	●	↓	↓	●	●	●	X

Note: ↓ denotes the negative direction, ↑ means the positive direction, ● denotes lack of statistical significance at any level, X means that the hypothesis in scope of the tested variable has not been confirmed. TA – total assets, PPE – property, plant, equipment, QRT – quick ratio, TLTA – financial leverage, TL – total liability, FF – free float, DIV – dividend yield, SHO – shares outstanding, SAL – net sales or revenues, EMP – number of employees, ROA – return on assets, ROE – return on equity, EBT – EBITDA.

Source: own elaboration.

With regard to the hypotheses concerning the expansion of the investor base (H2), within-group effects indicate that direction of variable DIV is positive. It means that Chinese companies going public in Europe enhances the companies' capacity to distribute dividends. The direction for SHO variable is negative in T2 based on the robustness test results and positive in T3. Therefore, it might indicate that the effects in this area are pronounced and show an upward trend. However, between-group effects demonstrate a statistically significant difference in the DIV variable, indicating that firms listed on European markets distribute significantly lower dividends to investors compared to companies listed on domestic Chinese markets. Furthermore, no statistically significant differences were found for the other variables.

Therefore, when comparing these two groups of companies, the results do not support the hypothesis of the strategic role of European markets in expanding the investor base, especially among institutional and foreign investors.

The hypothesis relating to an increase in the scale of operating activities (H3) is also not confirmed. When comparing the two groups of companies, the study showed statistical significance difference of the SAL and TL variables. In both cases, these variables took negative values, which means that Chinese companies going public in China achieve better sales results and incur fewer liabilities. However, within-group effects showed higher levels of sales revenue, number of employees and current assets, as well as higher expenses in the group of companies listed in Europe. All variables proved to be statistically significant at the 1% and 5% levels. Although these increases were lower than those of their Chinese counterparts, the systematic increase in all these indicators over time may suggest that the expansion of activities is a consequence of their presence on European stock exchanges. However, given the between-group effects, the increase in the scale of operations cannot be seen as a motive for Chinese companies to conduct IPOs in Europe.

In the case of the last hypothesis concerning increased profitability (H4), the results are more conclusive. Between-group effects for indicators such as ROA and ROE were negative and statistically significant at 5% and 10% respectively. Similarly, within-group analysis did not reveal any strong upward trends in profitability over time. All analysed variables also proved to be negative and statistically significant. This may indicate that profitability was not a key motive for entering the European market or that its improvement requires a longer time horizon and may be linked to long-term adaptation and investment strategies.

Moreover, it is also worth mentioning the model fit tests and diagnostic tests of GEE models (Wald Chi-Square, QIC/QICC, Pearson residual analysis). The results of the model effect tests' (Wald Chi-Square) confirmed the statistical significance of most of the analysed variables. At the same time, a comparison of the QIC and QICC model fit indices showed full consistency of results, which indicates the stability of the adopted correlation structure and insensitivity to the correction applied. An additional assessment of the Pearson residual distribution using QQ plots did not reveal any significant deviations from the normal distribution. Most of the residuals were distributed as expected, and the deviations observed at the extremes of the distribution were not systematic, confirming the accuracy of the adopted model specification. These tests confirmed the correctness of the adopted correlation structures and the stability of the effects.

To sum up, the empirical analysis did not show that the reasons for conducting an IPO in Europe by Chinese companies was associated with a desire to raise capital, increase the investor base, improve scale of operation or increase profitability. This result challenges one of the assumptions in the international research literature, generally applicable to companies going public on foreign markets, according to which foreign listing is supposed to stimulate growth through increased exposure and access to new markets (Jiang *et al.*, 2022; Lefebvre, 2023). According to the research, Chinese companies may not fit into the universal pattern of foreign expansion, as confirmed by studies on the implementation of business strategies by these companies (Quintero *et al.*, 2023; Wang & Ni, 2024).

## CHAPTER 8

### **Institutional determinants of Chinese companies' listings on European stock exchanges**

#### **8.1. The impact of the institutional environment on Chinese companies' decisions to go public overseas**

Institutional environment refers to the system of formal and informal rules, including laws, regulations, policies, norms, and governance structures, that shape the behaviour of economic actors and influence business decisions within a given country or market (Moore *et al.*, 2010; Rivas & Adamúz, 2019; Sundarasan, 2019; Mehmood *et al.*, 2021; Meluzín *et al.*, 2021; Macoris *et al.*, 2023). The literature has repeatedly pointed out that institutional imperfections in the country of origin can lead to a so-called 'flight to better jurisdictions' where more transparent, stable and predictable rules for doing business apply (Thanh, 2020; Cui *et al.*, 2021; Demir *et al.*, 2023). In China, where the institutional framework still differs significantly from the standards of developed countries (Yang *et al.*, 2020; Wei *et al.*, 2022), these factors may provide a strong incentive to seek more stable capital markets abroad (Cui *et al.*, 2021).

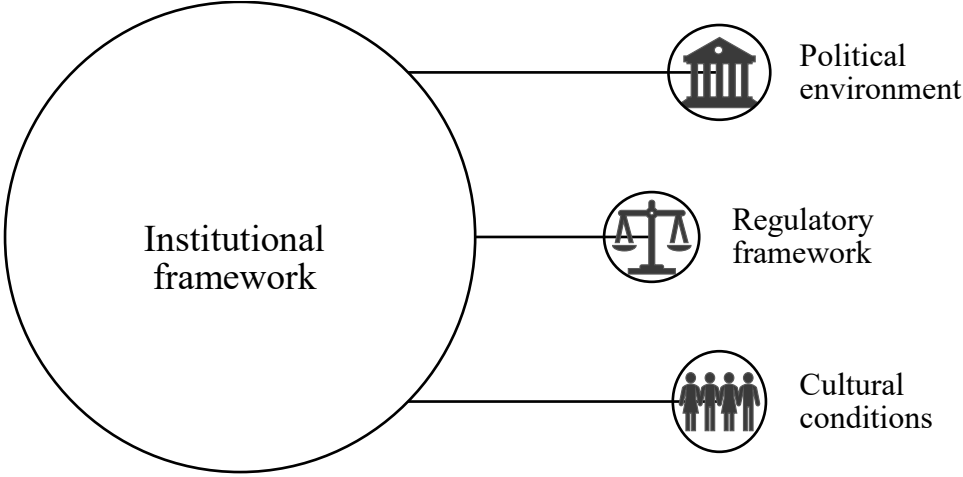
To conduct an in-depth analysis of the factors influencing the choice of IPO location by Chinese companies, this part of the study focuses on comparing the institutional environment between China and countries where cases of foreign IPOs by Chinese issuers have been identified. This analysis aims to capture the systemic, regulatory and cultural differences that may be relevant to decisions on the internationalisation of capital activities.

The methodological approach adopted in this study is a modification of the concept proposed by Liu *et al.* (2017). This author used a three-dimensional model of external environment analysis in their research on the quality of corporate governance of Chinese companies listed on foreign markets. The model of institutional framework is presented in Chart 8.1 and it includes three main moderators: (1) the political environment, (2) the regulatory framework, and (3) cultural conditions.

This approach not only allows for a comparison of individual political, economic and legal systems, but also provides a better understanding of the impact of formal and informal institutions on the decisions made by the analysed entities. In addition to being discussed, the results of the comparison are also presented in graphical form, which clearly shows the institutional distance between China and the individual countries hosting Chinese IPOs. The

data presented here provide a starting point for further reflection on the causes and consequences of the international capital expansion of companies from China.

Chart 8.1. Framework of external determinants of Chinese companies’ overseas IPO decisions



Source: own elaboration based on Liu, L. X., Jiang, F., & Sathye, M. (2017). *Does bonding really bond? liability of foreignness and cross-listing of Chinese firms on International Stock Exchanges*. *Research in International Business and Finance*, 41, 109–124.

The inclusion of institutional factors in the analysis of Chinese companies' IPO location decisions is essential for a more complete understanding of their internationalisation strategies. Therefore this analysis not only identifies differences, but also assesses their potential impact on decisions to go public internationally. In the context of China, where the domestic institutional framework is often perceived as less transparent and less predictable than in developed markets, this analysis takes on particular significance.

**8.1.1. Factors of a political nature**

China operates under a unique political system that combines a market economy with an authoritarian model of government (Chi, 2023; Joseph, 2024, pp. 3–4), in which central state control over strategic sectors and close political ties between the ruling elite and the business community play a key role (Yang *et al.*, 2020; Wei *et al.*, 2022; Joseph, 2024, pp. 20–26). This type of political and institutional system is characterised by a lack of independent supervisory institutions, limited transparency of decision-making processes and selective enforcement of regulations (Chen & Rithmire, 2020; Kroeber, 2020, pp. 42–43; Chen & Zhao, 2023, p. 5; Chi, 2023), which significantly affects the functioning of the capital market (Pan & Brooker, 2014; Qian *et al.*, 2022; Yang *et al.*, 2023).

There is substantial evidences that Chinese regulatory and governmental bodies have significant influence on companies' decisions to issue securities abroad (see Table 8.1). These cases illustrate how political and institutional factors determine the access to capital markets.

Table 8.1. Examples of Chinese government involvement in the IPO decision-making process of Chinese companies

Company	Stock markets	Political influence	Source
Sina	NYSE	Company went public using VIE following Beijing's selective policy of permitting leading internet firms to pursue overseas listings.	Fried & Kamar (2020)
Sinopec	HKSE, NYSE, LSE	Its cross listing was organized under the direction of China's State Council as part of a wider policy of corporatization and internationalization of SOEs.	Chen & Chen (2019)
Alibaba	NYSE	Alibaba was subject to political pressure after its listing, including forced changes to its management and restrictions on its activities as a result of decisions by regulators.	Wei <i>et al.</i> (2022); Zhao (2022)
Air China	LSE	The IPO was influenced by government policy decisions, including asset injections and approvals from the Civil Aviation Administration of China, which shaped both the timing and structure of the offering.	Chang (2023)
Ant Group	HKSE	The planned IPO in 2020 suddenly suspended by Chinese regulators following public statements by the founder.	Zhang (2024)
Didi Global	NYSE	The company went public in NYSE in 2021 and was then subject to extensive scrutiny regarding cybersecurity. As a result, plans were announced to transfer its listing to HK.	Chen (2022); Bu (2025)
PetroChina	HKSE, NYSE	Listing of a state-owned giant carried out in the context of political and reform decisions in the energy sector.	Chen & Chen (2019)
Shein	NYSE, LSE	The planned NYSE listing was postponed due to US regulatory concerns over data security, Chinese ties, and supply chain practices. The LSE debut was delayed despite FCA approval, as the CSRC did not grant its consent.	Milhaupt & Ringe (2025)

Source: own elaboration.

It shall be mentioned that on the one hand, the Chinese authorities support the development of innovative companies and foreign expansion as part of a broader strategy to modernise the economy and build technological power (Xie *et al.*, 2022). This is manifested, among other things, in the adoption of the Go Out strategy (Zámborský *et al.*, 2023, p. 100), programmes supporting the internationalisation of enterprises (Chen & Rithmire, 2020, pp. 262–263; Kroeber, 2020, p. 126; Lee *et al.*, 2023, p. 45), joining international organisations such as the WTO (Du & Kong, 2020), as well as by adopting higher quality and more transparent legal regulations (Chi, 2023; Lockett & Leng, 2023) as was described in Chapter 3 of this thesis. On the other hand, decisions on such actions as issuing shares abroad are still

strictly controlled and often dependent on current political or geostrategic interests (Yang & Zhao, 2023, p. 47) as showed, among others, by examples listed in Table 8.1.

Thus, the internationalisation process of Chinese companies is characterised by gradual, evolutionary development, closely linked to regulatory measures taken by the central government to open-up the domestic corporate sector to global markets (Li, 2019; Liu & Dixon, 2021; Zeitz, 2025). It is indicated in the literature that this expansion is not a decision of the specific company, but rather deliberately managed and based on the systematic implementation of solutions enabling successive groups of companies to enter foreign markets.

As researchers point out (e.g., Pan & Brooker, 2014; Kroeber, 2020, p. 175; Fang *et al.*, 2023; Feng *et al.*, 2024; Xu *et al.*, 2024a), the observed tendency of Chinese issuers to choose foreign markets characterised by a higher quality of the institutional environment, greater regulatory transparency of financial markets and political stability can be seen as a response to systemic constraints in their home jurisdiction. This is particularly true of the lack of transparency in the functioning of the CSRC, whose actions in approving IPOs abroad are characterised by a high degree of unpredictability and arbitrariness (Qian *et al.*, 2022; Chi, 2023). This type of regulatory uncertainty, combined with limited access to the domestic capital market, especially for private issuers, results in a growing tendency to seek alternative, more predictable and transparent paths to raising capital (Li *et al.*, 2021; Xiong & Zhao, 2021; Cao *et al.*, 2022; Qian *et al.*, 2022, p. 8; Chi, 2023).

The selection of foreign stock exchanges, especially those operating in an environment with high-quality institutional frameworks, may therefore be not only a form of implementing the adopted business strategy, but also an attempt to hedge against the risk arising from the instability of domestic regulations and political considerations influencing the decisions of the CSRC (Pan & Brooker, 2014; Chi, 2023; Lockett & Leng, 2023). Moreover, such motivations become particularly important in the context of the Chinese authorities' increasingly selective approach to capital expansion abroad, which may depend on Beijing's current political priorities. As shown by the example of Beijing Datang Power Generation, listed on the LSE in 1997, the IPO was aimed at achieving Beijing's political goals. The debut allowed it to enter the global financial arena, strengthening China's image as a modern, open participant in international capital markets, as well as increasing its opportunities to raise funds for the development of energy infrastructure in line with political priorities (Hongtu, 2008, p. 2).

In addition to the conclusions presented in the literature and numerous examples of companies, these issues are also solidly supported by a comparative analysis of China's institutional environment *vis-à-vis* European countries where Chinese companies have

conducted IPOs. Using the developed aggregate factors examining the political environment, this analysis provides a deeper understanding of the impact of political factors on Chinese companies' decisions regarding the choice of foreign listing markets.

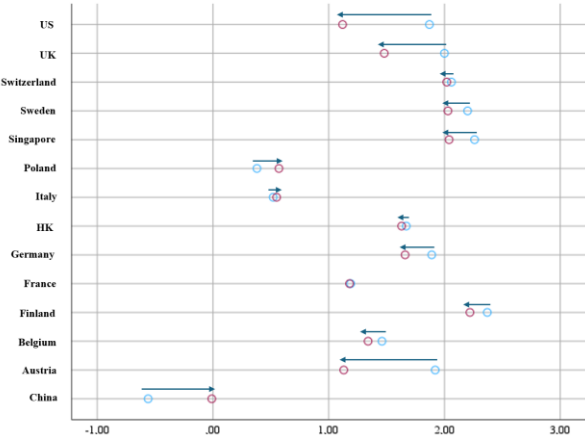
Chart 8.2 presents data from the World Development Indicators (WDI) database published by the WB, taking into account the levels of selected institutional indicators for both China and European countries where a Chinese company has made its debut at least once. The study covers countries of the markets that are most popular for Chinese companies' foreign debuts. In order to deepen the analysis, these data were presented in a dynamic perspective, covering the entire research period of the dissertation, i.e. 2002–2023. Thus, it was possible to capture both long-term trends and differences between individual countries over time.

The analysis carried out using charts shows that the level of institutional development in China differs significantly from the standards characteristic of European economies and other developed countries hosting Chinese IPOs. These differences are particularly evident in the 'Rule of Law' indicator, where China ranks among the lowest, with a value hovering around -0.5, both at the beginning of the period under review (2002) and at its end (2023). By comparison, countries such as Switzerland, Sweden, the UK and the US score above +1.5, reflecting a high level of rule of law and predictability of the regulatory environment.

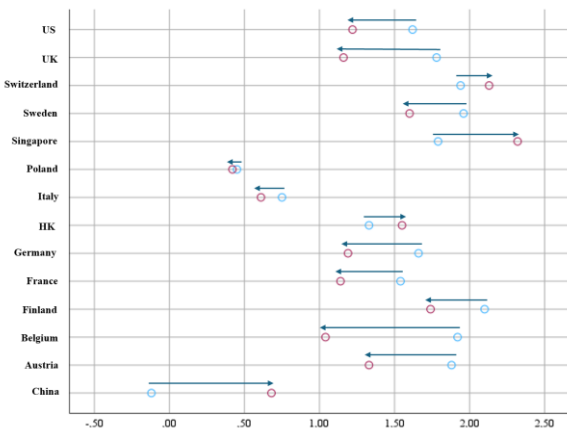
Similar discrepancies can be observed in the 'Voice and Accountability' indicator, which measures, among other things, the level of freedom of speech, access to independent media and the quality of democratic processes. In this area, China remains significantly below zero throughout the entire period analysed, which contrasts with the high ratings of countries with established democratic traditions.

Only in the case of the 'Government Effectiveness' variable are the differences between China and European countries not so pronounced. However, it should be noted that the relative increase in this indicator for China is a relatively new phenomenon and is the result of the gradual strengthening of administrative structures over the last two decades. In light of the above data, the differences in the institutional environment between China and the target countries for Chinese IPOs can be considered one of the key determinants of these processes, pointing to the possible role of institutional arbitrage and the search for more stable and transparent operating conditions in foreign markets.

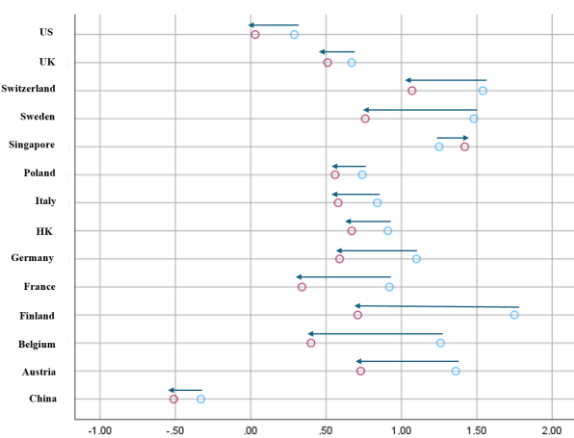
Chart 8.2. World Governance Indicators for China and for the host countries of Chinese listed companies



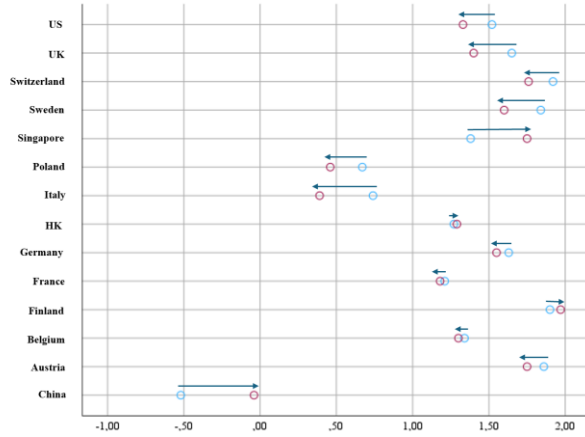
8.2.1. Control of corruption



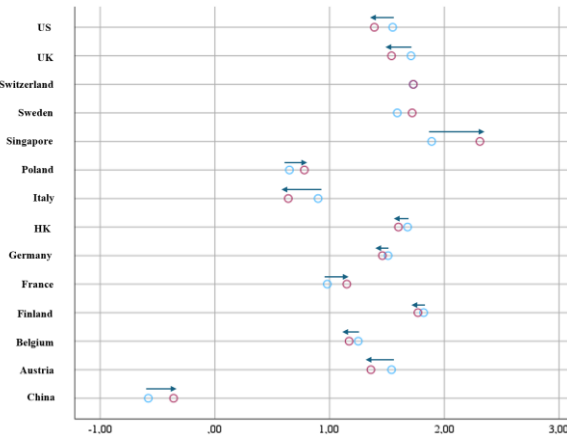
8.2.2. Government effectiveness



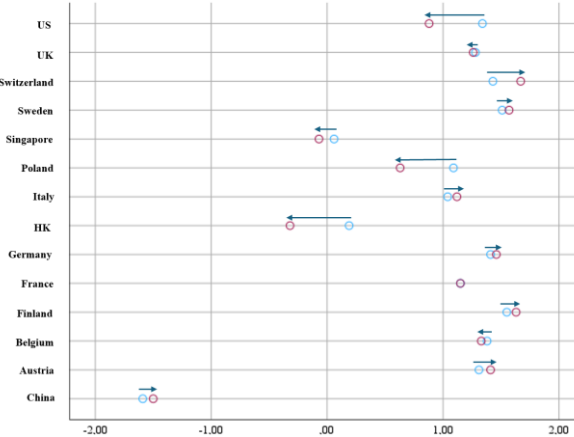
8.2.3. Political stability & absence of violence/terrorism



8.2.4. Rule of law



8.2.5. Regulatory Quality



8.2.6. Voice & Accountability

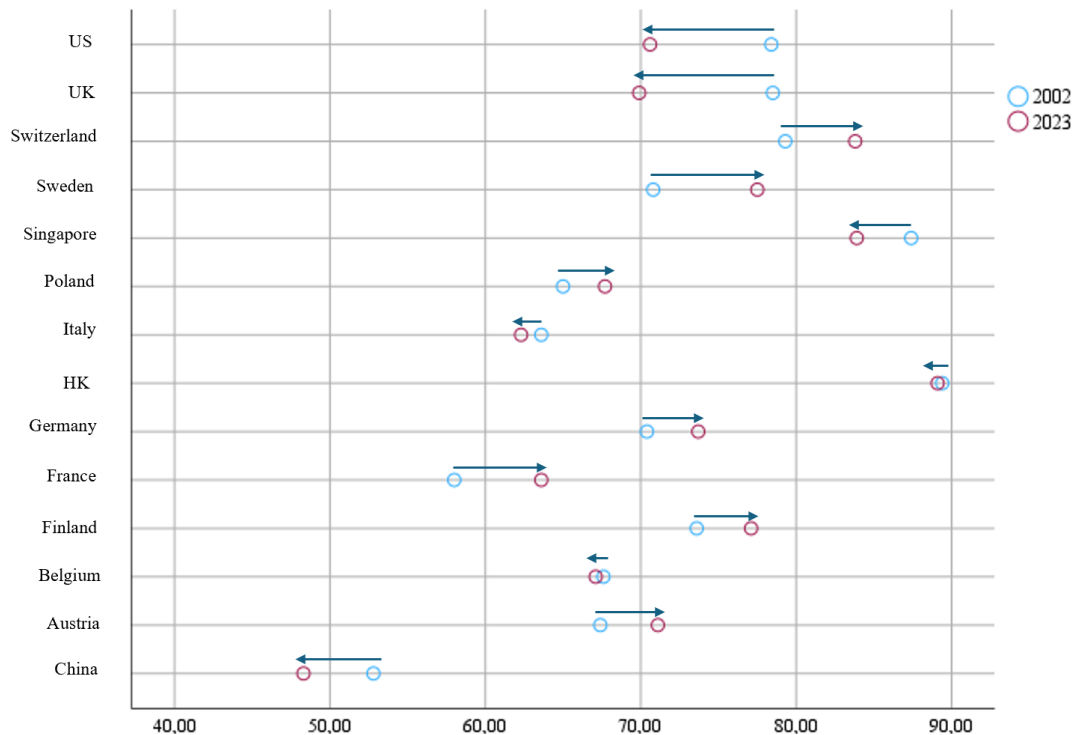
Note: blue circle indicates 2002, red circle indicates 2023.  
 Source: own elaboration based on World Bank. (2025, March 18). *Worldwide Governance Indicators*. <https://www.worldbank.org/en/publication/worldwide-governance-indicators> (access as of 07.07.2025).

In order to deepen the analysis of factors influencing the choice of IPO location by Chinese companies, this study also takes into account the Index of Economic Freedom. This is a recognised measure of economic freedom in individual countries, compiled annually by The Heritage Foundation in cooperation with The Wall Street Journal. This index was used to study the political environment due to the information used in its development. As indicated by the authors of the index, “*economic freedom is the fundamental right of every human to control his or her own labor and property*” (The Heritage Foundation, 2025). Therefore, this definition focuses on measuring the level of rights and freedoms of individuals in a given country. The index synthesises a number of components relating to key aspects of the institutional environment, such as property rights, regulatory efficiency, market openness and the efficiency of public administration.

The results of the analysis are presented in graphical form in Chart 8.3, which illustrates the Index of Economic Freedom values for individual countries at two points in time: 2002 and 2023. Using this index, the values of the indicator were analysed for countries in which at least one Chinese company completed an IPO during the analysed period. The aim of this approach was to examine whether the choice of location for Chinese issuers' debuts could be linked to the level of economic freedom in the host countries, and thus whether these decisions could be motivated by a desire to enter more stable countries with open and favourable stock markets. This approach also captures the dynamics of changes occurring during the analysed period. Thus, it is an important supplement to previous institutional analyses, offering a broader perspective on the relationship between the quality of the economic environment and the geographical structure of Chinese IPOs.

As shown in Chart 8.3, over the years, China has performed relatively poorly compared to developed countries in terms of economic freedom. What is more, the observed trend shows no signs of significant improvement. In contrast, in some areas the situation can even be described as deteriorating. In 2023, China scored 48.3 points, which placed it well below the threshold of 60 points currently achieved by all European countries. By comparison, all other countries analysed in this study, i.e. those where Chinese companies have made their debut on the capital markets, scored above this value, often significantly exceeding it. High economic freedom indices are particularly characteristic of countries such as Switzerland, Hong Kong and Singapore, which have well-developed, stable and transparent financial markets based on strong institutional foundations.

Chart 8.3. Comparison of the Index of Economic Freedom in countries with a presence of Chinese companies



Note: in the case of Hong Kong, data were taken for 2020 due to the lack of data publication for later periods.  
 Source: own elaboration based on the Index of Economics Freedom (The Heritage Foundation, 2025).

In assessing the political environment, in addition to relying on a review of the literature and an analysis of aggregate factors enabling comparison of individual systems, it is difficult not to point to recent geopolitical events, which are also significant in light of the expansion of Chinese companies onto foreign stock exchanges. Given that the US is one of the main markets for securities issuance, it is important to point to the growing tensions in China–US relations. The re-election of Donald Trump and his protectionist trade policy have increased regulatory and political risks. The US is no longer considered a stable and predictable player in the global world (Jaiswal *et al.*, 2025; Myrick, 2025, pp. 3–5).

The uncertain situation regarding the presence of Chinese companies on the US market as the largest group of foreign listings on US stock exchanges may cause, among other things, a disruption of the capital market in the US (Newman, 2024; Feng *et al.*, 2024). In addition, changes in US stock markets may be exacerbated by disruptions in capital flows following Donald Trump's sudden trade policy announcements, especially after he takes office in 2025. (Jaiswal *et al.*, 2025). In the face of growing risks, including political ones, many Chinese companies have left US stock exchanges or abandoned their listing plans (Newman, 2024; Feng

*et al.*, 2024). Due to the outflow of capital from the capital market and the deteriorating economic situation on the US market, Chinese companies may seek more stable stock markets (Newman, 2024). However, despite growing political tensions, the US market remains one of the main markets where Chinese companies are listed. Nevertheless, it shows another example of how strongly the IPO decisions of Chinese companies are linked to the policies pursued.

### **8.1.2. Legal and regulatory factors and accounting standards**

Among the motives indicated in the literature for Chinese companies to go public abroad is the opportunity to list shares on a foreign stock exchange, which is often associated with greater transparency and the potential to attract foreign investors (Han *et al.*, 2022; Zhang, 2022, p. 76; Lee *et al.*, 2023, pp. 45–46). Listing on foreign markets is both an element of legitimacy in the eyes of investors and a signal for improving internal management (Liu *et al.*, 2017). Countries with better institutional frameworks and lower risks are the focus of Chinese companies as places to go public (Chen, 2022; Lee *et al.*, 2023, pp. 45–46).

For Chinese issuers, entering such foreign markets may not only be an opportunity to raise capital, but also a form of adaptation to more rigorous, internationally recognised standards of corporate governance and transparency (Chen *et al.*, 2020; Lee *et al.*, 2023, pp. 45–46). Motives related to regulatory and legal arbitrage are becoming increasingly important. Xu (2014) argued that stricter listing standards and increased supervision attract stronger companies, which is also confirmed by the literature on the HK and US markets (Cheng *et al.*, 2021). Moreover, the institutional environment affecting Chinese firms' overseas investments indicates that these firms prefer countries with better institutional frameworks and lower risks (Wang *et al.*, 2022, pp. 355–356). In this context, European markets may appear more attractive, especially for high-growth companies and SOEs seeking a more stable and less confrontational regulatory environment.

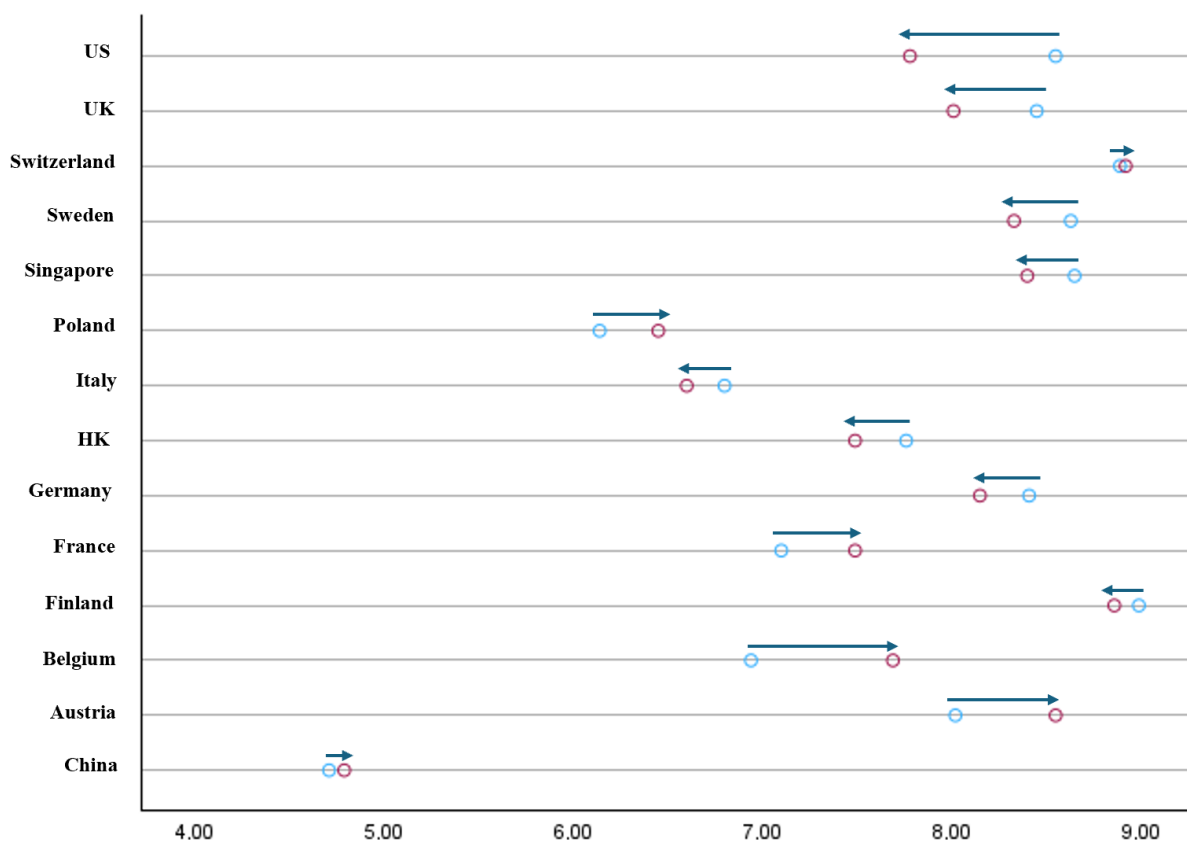
To verify the legal factors influencing decisions to go public on foreign markets, a comparison was made between the legal systems and regulatory environments of China and the countries where Chinese companies made their stock market debut. This analysis is broad in nature and is not limited to European countries, but also covers other foreign stock markets where Chinese companies are listed. This makes it possible to identify global differences in regulatory conditions affecting the activity of Chinese issuers abroad.

To make this comparison, the Economic Freedom of the World report prepared by the Fraser Institute is used, which contains quantitative variables. The analysis carried out in this subsection is limited to a comparative analysis of the legal system and regulatory environment

of countries where Chinese companies operate. In addition, each of these two areas is presented in a table and as a graph. The table shows the values of the variables included in the aggregate factor. The graph shows the change in the aggregate factor (i.e. the legal system and regulatory environment, respectively) over time according to the adopted research period, i.e. starting from 2002. Due to the lack of data provided by the Fraser Institute, this table is limited to 2022.

The analysis begins with a discussion of the legal system and property rights protection. Chart 8.4 shows changes in the aggregate indicator ‘Legal System & Property Rights’, which is a synthetic measure of several components relating to the quality of the legal system, law enforcement and the level of property rights protection in individual countries. A detailed description of the individual variables included in the aggregate factor is provided in Table 8.2.

Chart 8.4. Comparative analysis of legal systems of countries with listings of Chinese companies (2002–2022)



Source: own elaboration based on The Fraser Institute. (2024). *Economic freedom of the world: 2024 annual report*. <https://www.efotw.org/economic-freedom/dataset?geozone=world&page=dataset&min-year=2&max-year=0&filter=0> (access as of 10.07.2025).

Table 8.2. Legal system of China and host countries for Chinese listed companies

Country	Year	Judicial independence	Impartial courts	Protection of property rights	Military interference in rule of law and politics	Integrity of the legal system	Legal enforcement of contracts	Regulatory restrictions on the sale of real property	Reliability of police
Austria	2002	7.76	8.25	8.67	10.00	8.75	7.48	7.92	9.31
	2022	7.87	7.68	9.31	10.00	9.00	7.16	8.10	9.30
Belgium	2002	7.34	7.58	8.58	10.00	7.82	7.13	3.30	7.27
	2022	7.73	7.31	8.93	10.00	8.25	6.86	4.90	7.55
China	2002	3.73	3.63	4.50	4.10	5.31	5.49	8.27	5.04
	2022	4.20	3.76	5.48	4.17	3.97	4.83	8.32	5.95
Finland	2002	8.65	8.51	9.25	10.00	8.97	8.39	8.42	9.69
	2022	8.60	8.38	9.67	10.00	9.45	7.53	7.52	9.77
France	2002	7.02	7.67	9.00	8.33	7.43	6.89	4.60	7.59
	2022	7.13	7.25	8.52	8.33	8.32	6.26	6.81	7.30
Germany	2002	8.41	9.01	9.25	10.00	8.08	8.43	7.80	8.36
	2022	7.57	8.40	8.59	10.00	8.61	8.03	6.85	7.17
HK	2002	7.87	8.97	8.58	5.00	7.44	8.84	7.34	8.05
	2022	7.23	8.21	9.36	5.83	6.10	8.06	6.95	8.21
Italy	2002	6.16	6.05	6.75	10.00	6.73	3.73	9.23	5.73
	2022	6.18	5.02	6.57	10.00	7.57	3.48	8.25	5.71
Poland	2002	6.78	6.18	5.83	10.00	6.81	4.76	5.62	6.19
	2022	4.60	5.55	6.32	10.00	6.25	4.71	7.35	6.79
Singapore	2002	6.42	7.60	9.08	10.00	8.67	8.91	8.94	9.58
	2022	6.53	7.49	9.47	8.33	8.30	8.55	8.96	9.59
Sweden	2002	8.42	8.44	9.17	9.17	8.86	7.58	8.73	8.69
	2022	8.22	8.14	8.77	9.17	8.55	7.41	8.45	7.91
Switzerland	2002	8.41	9.18	9.08	10.00	8.14	7.51	9.24	9.53
	2022	8.54	8.84	9.52	10.00	8.70	6.67	9.60	9.52
UK	2002	8.19	8.25	9.25	10.00	8.72	7.45	8.26	7.51
	2022	7.76	7.46	8.75	10.00	8.28	6.55	8.02	7.24
US	2002	8.12	8.00	9.33	8.33	8.47	8.53	9.61	7.97
	2022	7.80	7.64	8.80	6.67	6.92	7.84	8.92	7.65

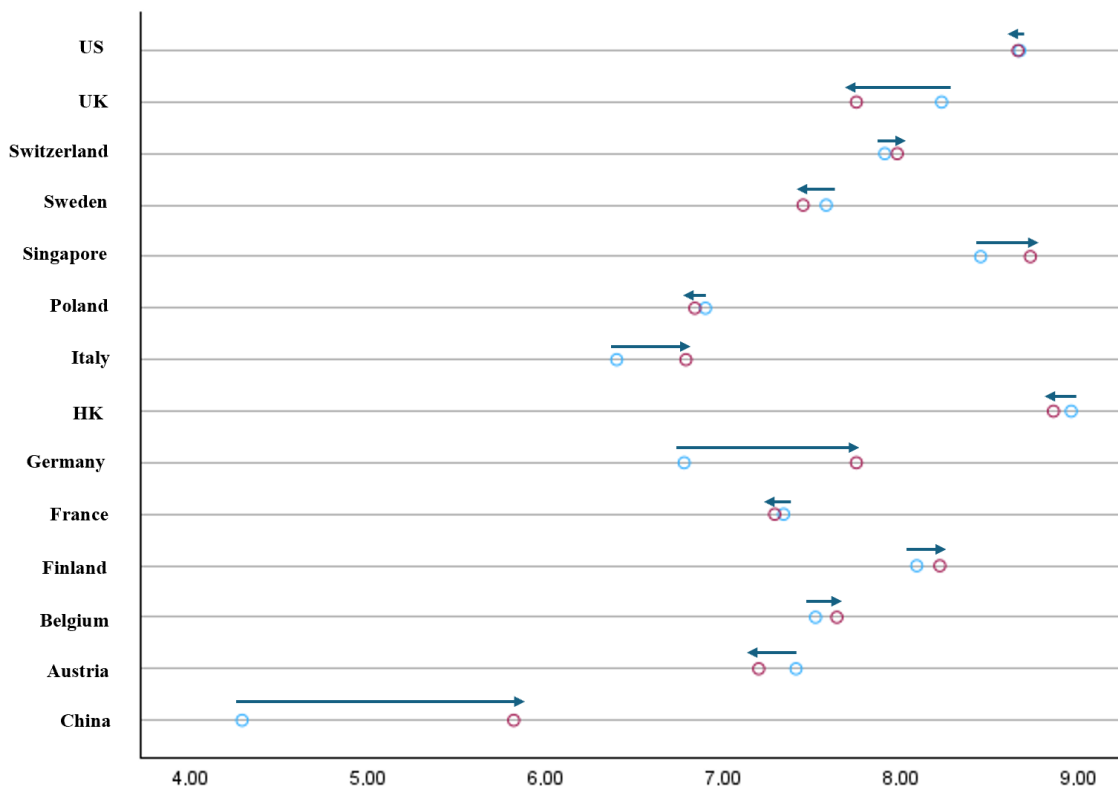
Source: own elaboration based on The Fraser Institute. (2024). *Economic freedom of the world: 2024 annual report*. <https://www.efotw.org/economic-freedom/dataset?geozone=world&page=dataset&min-year=2&max-year=0&filter=0> (access as of 10.07.2025).

This indicator is based on a set of component variables, including judicial independence, contract enforcement, the effectiveness of court proceedings and the scope of property rights

protection. The analysis of the legal systems of markets where Chinese companies are listed shows significant differences between these markets and China. Over the last two decades, China has lagged behind most of the countries analysed in terms of the quality of its legal system. The average score in the ‘Legal System & Property Rights’ subcategory for China is 4.79, while for countries hosting Chinese IPOs, such as the US (8.55), the UK (8.01), Singapore (8.65), Switzerland (8.91) and Hong Kong (7.76), these values are significantly higher. For example, the difference between China and the US is almost 80% in this indicator, which indicates a clear advantage of developed countries in terms of judicial independence, protection of property rights, reliability of the legal system and integrity of institutions.

The legal environment was also analysed with regard to the regulatory environment. The results of this analysis are presented in Table 8.3 and Chart 8.5.

Chart 8.5. Comparative analysis of regulatory environment of countries with listings of Chinese companies (2002–2022)



Source: own elaboration based on The Fraser Institute. (2024). *Economic freedom of the world: 2024 annual report*. <https://www.efotw.org/economic-freedom/dataset?geozone=world&page=dataset&min-year=2&max-year=0&filter=0> (access as of 10.07.2025).

Table 8.3. Regulatory environment of China and China's host countries

Countries	Year	Credit market regulations	Labor market regulations	Business regulations	Freedom to enter markets and compete
Austria	2002	9.82	5.90	6.34	7.57
	2022	8.91	6.17	6.33	7.40
Belgium	2002	9.99	6.77	6.09	7.23
	2022	8.54	7.59	6.76	7.68
China	2002	6.45	4.56	3.16	2.98
	2022	7.13	5.05	4.70	6.40
Finland	2002	10.00	5.62	6.85	9.88
	2022	9.89	6.35	7.56	9.08
France	2002	9.54	6.26	6.19	7.36
	2022	8.63	6.38	6.71	7.43
Germany	2002	7.76	3.98	7.22	8.15
	2022	8.05	7.10	7.50	8.34
HK	2002	9.28	9.12	7.77	9.66
	2022	10.00	9.04	6.99	9.39
Italy	2002	8.88	5.65	5.08	5.99
	2022	8.38	7.12	4.92	6.73
Poland	2002	8.30	6.79	5.86	6.66
	2022	7.02	7.24	5.73	7.37
Singapore	2002	10.00	7.59	8.21	7.99
	2022	10.00	7.35	9.05	8.54
Sweden	2002	9.82	5.43	7.32	7.75
	2022	8.00	6.32	7.28	8.19
Switzerland	2002	9.16	7.19	7.62	7.68
	2022	9.28	6.68	8.01	7.96
UK	2002	9.00	8.52	6.49	8.92
	2022	7.40	8.23	6.74	8.61
US	2002	9.03	9.31	6.37	9.99
	2022	8.93	9.14	6.72	9.86

Source: own elaboration based on The Fraser Institute. (2024). *Economic freedom of the world: 2024 annual report*. <https://www.efotw.org/economic-freedom/dataset?geozone=world&page=dataset&min-year=2&max-year=0&filter=0> (access as of 10.07.2025).

In terms of market regulations governing business operations, China also ranks significantly lower (5.82) than countries that most often attract Chinese companies. For comparison, Singapore (8.73), the US (8.66), Switzerland (7.91) and the UK (7.75) offer a more liberal and competitive regulatory environment that is conducive to international investors. This

is particularly evident in labour market regulations and market entry, where China remains one of the lowest-ranked countries in the ranking.

According to the analysis, Chinese companies decide to go public mainly on foreign capital markets, which, according to international institutional rankings, are characterised by a significantly higher level of regulatory and legal environment and investor protection than their country of origin, i.e. China. The choice of jurisdictions such as the US, UK or HK may indicate a conscious strategy on the part of companies seeking to enhance their credibility in the eyes of international investors, as well as a need for access to more developed and transparent financial systems that offer better conditions for raising capital. This phenomenon also points to the important role of institutional quality in decisions on the location of cross-border listings, especially in the case of companies from economies with limited regulatory transparency.

The literature on the determinants of companies' decisions to go public on foreign capital markets increasingly goes beyond the traditional focus on the legal and institutional environment. It also highlights the importance of analysing the accounting systems in place in individual countries (Wen & Sonnerfeldt, 2021; Chen, 2022; Fei, 2023; Lee *et al.*, 2023, pp. 45–46). This issue is particularly important because of the impact that differences in accounting standards and their degree of compliance with international standards have on the transparency of financial reporting, the credibility of issuers and investor confidence (Li, 2021; Fei, 2023). A country's accounting system not only reflects local regulatory standards, but also its approach to transparency, accountability and corporate governance. A company's choice of target market may therefore depend not only on the level of investor protection or political and legal conditions, but also on the level of compatibility of accounting systems.

For Chinese issuers, accustomed to the domestic system, these differences may constitute both a barrier to entry and a factor influencing the decision to choose a market with more accessible convergence requirements (Fei, 2023; Yi, 2023, p. 228). Moreover, the degree of difficulty associated with adapting to reporting requirements may vary depending on the size of the company, the nature of its business and the level of professionalism of its financial and accounting structures (Wen & Sonnerfeldt, 2021). For this reason, the accounting system should be treated as an important element of the institutional environment, which can significantly influence companies' strategic decisions regarding capital expansion.

Table 8.4 presents a comparative overview of the applicable requirements for the application of International Financial Reporting Standards (IFRS) in selected jurisdictions, regarding both domestic companies and foreign issuers admitted to trading on local stock

markets. As in previous analyses, attention has been paid to analysing these regulations in the context of Chinese companies going public abroad.

Table 8.4. Adoption of accounting standards

Region	Country	IFRS – domestic companies	IFRS – foreign companies	Notes
America	US	not adopted	permitted	US Generally Accepted Accounting Principles (GAAP) is mandatory for domestic firms. IFRS is permitted for foreign companies.
Asia	China	no adopted	no foreign company is listed	The China Accounting Standards (CAS) is required. China's standards are largely IFRS-converged, with partial adoption via dual-listed companies, though full adoption has no set timeline.
	HK	not adopted	required or permitted	HKFRS is implemented for domestic companies (fully alignment with IFRS).
	Singapore	not adopted	required or permitted	Singapore Financial Reporting Standards (SFRS) is implemented for domestic companies (fully alignment with IFRS). Foreign firms may use IFRS; primary listings require SFRS, IFRS, or US GAAP, while secondary listings need only reconciliation.
Europe	Austria	mandatory	required or permitted	Fully aligned via EU regulation. For foreign companies is mandatory for consolidated reports, unless equivalent home standards are allowed.
	Belgium			
	Finland			
	France			
	Germany			
	Italy			
	Poland			
	Sweden			
	Switzerland	permitted	required or permitted	IFRS not mandatory, but popular among large companies.
UK	mandatory	required or permitted	Continues to follow EU approach post-Brexit. Foreign issuers in UK public market may use IFRS in their reports.	

Source: own elaboration based on IFRS Foundation. (2024). *Use of IFRS Standards by jurisdiction*. <https://www.ifrs.org/use-around-the-world/use-of-ifrs-standards-by-jurisdiction/> (access as of 07.07.2025).

The data presented in the Table 8.4 allow for the identification of diverse regulatory approaches, i.e. from full mandatory application of IFRS (e.g., in the EU), through systems allowing for equivalent national standards (such as HKFRS or US GAAP), to flexible models allowing for the selection of one of several recognised standards. In the context of Chinese issuers, this points to the important role of the quality of the regulatory environment and the

compatibility of accounting systems as a factor determining the choice of listing venue. Jurisdictions with transparent and harmonised reporting requirements that also allow the use of IFRS (or their national equivalents compliant with IFRS) may be perceived as more attractive and secure from the perspective of investors and companies themselves (Yi, 2023, p. 228).

The obligation to apply appropriate reporting rules cannot be discussed without referring to the broader context of audit requirements. This issue is particularly important in relation to the US market, which has been one of the main destinations for Chinese issuers seeking to expand abroad for many years. However, in recent years, there has been increasing regulatory pressure and growing political and economic tensions that are significantly changing the regulatory landscape for Chinese companies listed in the US (Newman, 2024; Feng *et al.*, 2024; Jaiswal *et al.*, 2025).

Already during Donald Trump's first term, a number of legislative measures were taken to increase oversight of foreign companies, especially Chinese ones. An example is the HFCAA adopted in December 2020 broadly explained in the Chapter 3 of this thesis, which requires all companies listed on US stock exchanges to comply with the audit standards of the PCAOB. In practice, this means that they must share their audit documentation with US regulators, which poses a serious problem for Chinese companies because of national restrictions on data transfer and state secrets (Chen *et al.*, 2023; Parry & Bu, 2023; Newman, 2024).

In addition, the US Congress also debated the Equitable Act, initiated by senator Marco Rubio, which provided for even more restrictive measures, including the possibility of delisting Chinese companies from US stock exchanges in the event of non-compliance with supervisory and audit requirements (Feng *et al.*, 2024). In the context of the escalating trade conflict between the US and China, these regulations were seen as tools of geopolitical pressure that could aim to limit the presence of Chinese capital in the US financial market (Newman, 2024; Feng *et al.*, 2024).

The Chinese side has also tightened its regulatory approach, especially towards companies using the VIE structure, which is often used by Chinese companies to circumvent domestic restrictions on foreign investment (Kawase & Wong, 2023; Mainous, 2023). An example is the Anti-Monopoly Guidelines for the Platform Economy document published in February 2021 by the Chinese market regulator CSMAR, which explicitly announced penalties for entities using VIE structures without adequate supervision by Chinese regulatory authorities (Feng *et al.*, 2024).

As a result of this accumulation of regulatory pressure, both from the US and Chinese authorities, more and more Chinese companies are considering withdrawing from US stock

exchanges. The latest empirical research points to a growing number of voluntary delistings, changes in expansion strategies and greater caution in decisions to enter the US capital market (Leung & Lei, 2023; Kawase & Wong, 2023; Feng *et al.*, 2024; Newman, 2024). These changes are part of a broader context of transformation of global capital flows and the politicisation of economic relations between key powers.

### **8.1.3. Characteristics of the cultural environment**

The literature is paying increasing attention to the role of informal institutions in shaping the economic environment and the impact they have on the functioning of enterprises and their strategic decisions, including investment decisions (Lewellyn & Bao, 2014; Gupta *et al.*, 2018; Postuła & Wąsowska, 2020; Salerno, 2021; Tupper & Mehta, 2023; Cieślik & Sosnowski, 2024; Tavares & Farinha, 2025). In addition to the widely described trend of behavioural finance, the importance of informal institutions as a significant determinant of organisational behaviour is emphasised (Salerno, 2021), especially in the context of emerging markets, where formal regulatory frameworks may be less stable or less effectively enforced (Cui *et al.*, 2021). Traditional approaches, which focus mainly on the formal aspects of institutional governance, such as legal provisions, regulatory mechanisms and market supervision (Macoris *et al.*, 2023; Cieślik & Sosnowski, 2025) are increasingly being supplemented by an analysis of cultural elements, social norms, values and informal practices that influence decision-making in organisations (Li *et al.*, 2021; Xiong & Zhao, 2021; Tupper & Mehta, 2023). These include cultural communication patterns and value systems, which can both support and limit the internationalisation processes of companies and their propensity to expand into foreign markets (Gupta *et al.*, 2018; Fang *et al.*, 2023).

In this context, the analysis of cultural conditions and informal institutions becomes an indispensable element of research on the motivations and strategies of Chinese companies conducting IPOs abroad. For Chinese companies, coming from a context strongly rooted in *guanxi* relationships and confucianism, cultural and informal factors play a particularly important role in assessing the attractiveness of foreign financial markets (Lin *et al.*, 2017; Xiong & Zhao, 2021). The choice of jurisdiction, legal form of issuance, and the decision on the scope of information to be disclosed often depend not only on the applicable regulations, but also on the extent to which the institutional culture is consistent with practices derived from the Chinese socio-economic environment (Geng & Tan, 2021; Fan *et al.*, 2022; Joseph, 2024, pp. 3–4; Tavares & Farinha, 2025). This is evidenced, for example, by the popularity of Hong Kong as a listing destination. Early research by Pan and Brooker (2014) already pointed to the

importance of cultural and geographical proximity as a factor attracting private companies to list in Hong Kong. Xu (2014) also confirms this view, pointing out that Chinese companies are more likely to choose markets that are culturally and geographically closer, such as Hong Kong, than more distant ones, such as London or Frankfurt.

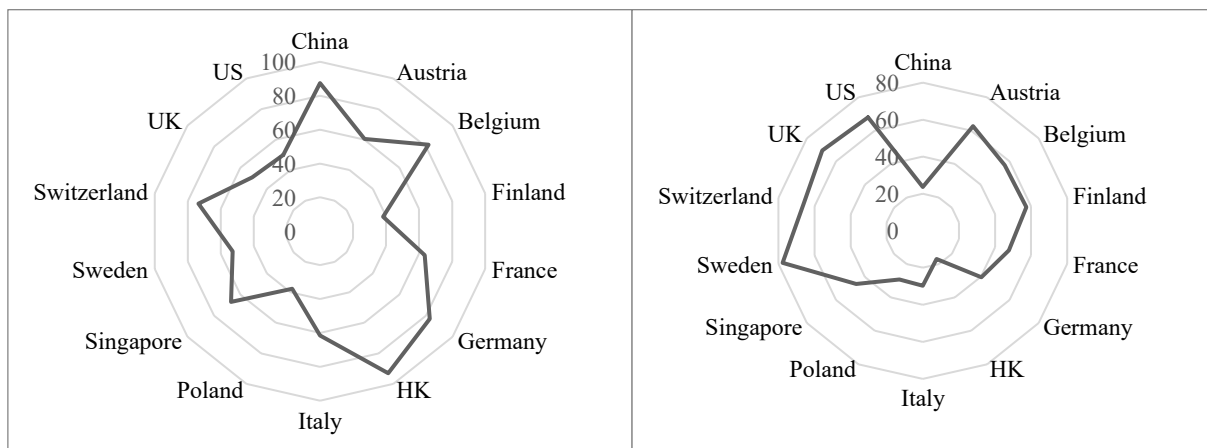
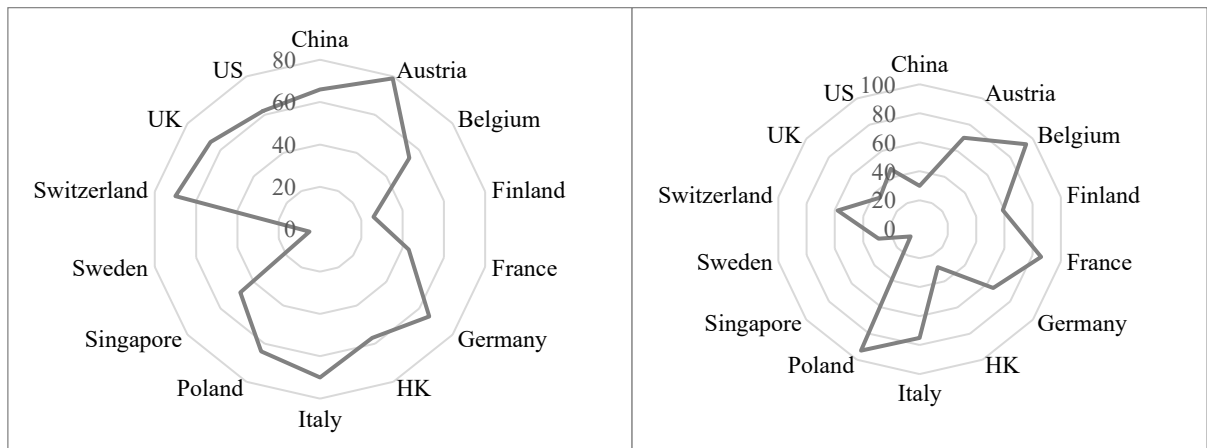
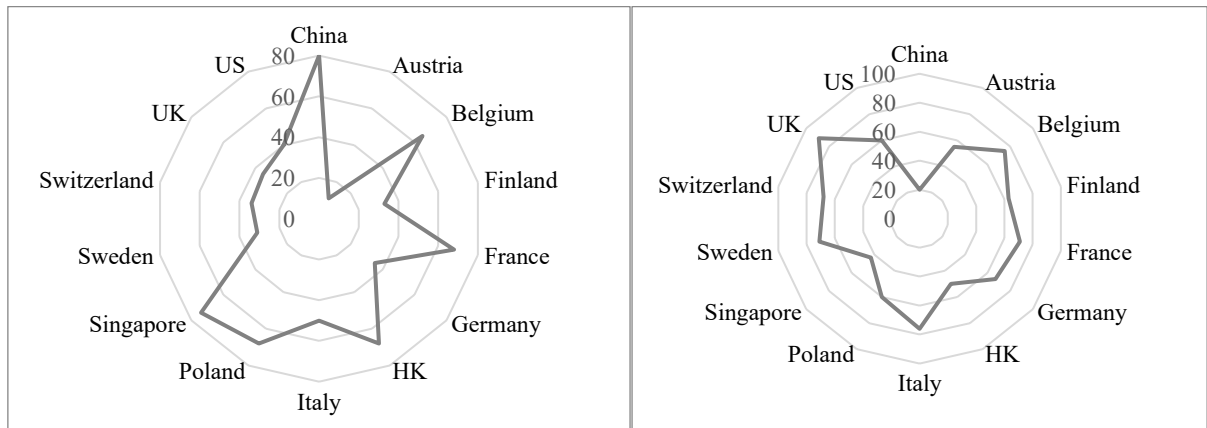
The cultural context was also used by Geng & Tan (2020), who found that cultural values and economic growth have a significant impact on the underpricing of Chinese companies listed on various stock markets between 2000 and 2018. The study showed that cultural distance from the Chinese A-share market correlates with underpricing. In particular, it was noted that IPOs in markets characterised by high power distance or long-term orientation show greater underpricing, while those in markets with high levels of uncertainty avoidance or individualism experience less underpricing.

In the literature, cultural differences between countries are most often presented using research conducted by Hofstede (e.g., Salerno, 2021; Tavares & Farinha, 2025). Following this research, in order to capture the differences between China and the countries in which these companies operate in terms of the third moderator describing the institutional environment, i.e. cultural aspects, this study presents a graphical representation based on Hofstede's theoretical framework of cultural dimensions. The graphical presentation of the results of this analysis is included in Chart 8.6, which illustrates the individual dimensions of culture in relation to the countries where Chinese companies are listed.

This analysis provides a deeper understanding of the behavioural and institutional determinants of IPO location decisions. Its aim is not only to identify cultural differences, but also to understand the extent to which these differences may influence Chinese issuers' decisions on IPO location. The inclusion of such variables in the analysis provides a better understanding of the behavioural and institutional determinants of companies' decisions in the context of internationalisation, and allows for an assessment of the cultural fit between the issuer's country of origin and the IPO host country. As a result, this analysis enriches the existing picture of the determinants of the internationalisation of Chinese listed companies with elements that are less tangible but have a real impact on the effectiveness of adaptation to the expectations, behaviours and standards prevailing in local capital markets.

In light of Geert Hofstede's cultural model, China has a specific cultural profile that clearly distinguishes it from developed countries, which are the main locations for foreign IPOs. High power distance and low individualism indicate a strongly hierarchical social structure and the dominance of collective values over individual aspirations.

Chart 8.6. Comparison of the cultural profiles of countries hosting Chinese companies on their stock exchanges according to Hofstede's model



Source: own elaboration based on The Culture Factor Group. (2025). *Country comparison tool*. Hofstede Insights. <https://www.hofstede-insights.com/country-comparison/> (access as of 30.06.2025).

In such a system, power relations are clearly defined and socially accepted, and economic decisions, both at the company and state level, are often subordinated to overriding political or social interests, rather than solely to market efficiency criteria. This type of culture may be reflected in limited institutional transparency, a strong role for the state in regulating business activity, and a priority given to stability and control over economic freedom.

The Chinese government's strong focus on long-term goals may suggest a strategic approach to economic activity, geared towards building a position and reputation over time and adapting to a changing international environment. Chinese companies, especially those with ambitions to enter foreign markets, are often vehicles for long-term state strategy aimed at the gradual internationalisation of capital and economic entities, not necessarily at a pace dictated by market conditions, but in line with a political expansion plan (Xie *et al.*, 2022; Zhang *et al.*, 2022). In this context, decisions on the location of an IPO, ownership structure or form of listing (e.g., GDR, ADR, VIE) may, on the one hand, be a response to institutional constraints in the domestic market and, on the other, part of a broader state policy.

This contrast becomes particularly evident when compared to countries that are the main destinations for Chinese companies' foreign IPOs, such as the US, the UK and Germany. These countries are characterised by low power distance, high levels of individualism and a marked tendency to avoid uncertainty. As a result, their economic systems promote transparency, decision-making independence and corporate responsibility, which is reflected, among other things, in strict information requirements, extensive ownership supervision and relatively high institutional predictability.

## **8.2. Comparative analysis of Chinese public and private companies going public on European stock exchanges**

This study shows that Chinese companies going public on European markets differ noticeably depending on their ownership structure, i.e. whether they are SOE or private. The approach highlights significant differences not only in the legal forms used to enter the market (e.g., GDR, VIE), but also in the motivations behind the decision to internationalise and the degree of direct state involvement in the decision-making process. These differences are reflected both in the choice of a specific stock exchange, target market, and in the strategy for adapting to institutional requirements outside China.

This section provides an in-depth comparative analysis of these two types of issuers: on the one hand, SOEs using the GDR mechanism and operating within the framework of a state internationalisation strategy, on the other hand, private companies operating in a more complex

regulatory environment and using flexible institutional structures to achieve international expansion. This analysis provides a better understanding of the motives, paths and constraints accompanying the foreign debuts of Chinese companies in Europe.

### **8.2.1. Characteristics of the expansion of public Chinese companies to stock exchanges in Europe in the form of GDR issuance**

Analysing the internationalisation strategy of Chinese SOEs that have decided to make their foreign stock market debut on European markets, a recurring pattern can be observed. One of the key mechanisms for implementing a policy of opening up to foreign markets is the selective testing of regulatory solutions on a limited group of large, state-controlled entities. This pattern was demonstrated by examples of companies going public in Europe, such as Beijing Datang Power Generation and Air China, or companies completing their IPO in the US, such as Jinbei Light Passenger Vehicle (Walter & Howie, 2006, p. 2). This approach reflects the broader logic of the Chinese political and economic system, in which reforms are introduced gradually and experimentally, first through selected strategic companies that serve as ‘pilots’ for new institutional and regulatory initiatives.

In Europe, the first Chinese SOEs to decide to issue securities were precisely such ‘experimental’ entities, whose debuts were not only of economic significance, but above all symbolic and political. An example is the aforementioned Air China, the national airline, which was one of the first SOE to decide to enter the foreign capital market by issuing its securities in London. In this way, Air China not only raised additional capital, but also played the role of a political ambassador, signalling China's readiness to open up more to global financial markets (Chang, 2023).

The debut of Beijing Datang Power Generation, one of China's largest energy producers, which listed on the LSE in 1997, was similar in nature. The choice of this company was not accidental. The energy sector in China is closely linked to national security and the long-term interests of the state, which made this step particularly significant from a political perspective. Its presence on the European capital market was intended not only to confirm the credibility of Chinese SOEs but also to test the mechanisms of regulatory cooperation with foreign supervisory institutions (Chan, 2005; Zuo, 2007).

Thus, the Chinese authorities use SOEs as instruments of controlled exposure to foreign markets, minimising systemic risk while allowing for the calibration of domestic regulations in response to external reactions and conditions. Going public in European capital markets not only enabled them to obtain financing, but also served a symbolic and strategic function,

signalling China's growing presence in global financial markets. This strategy is part of a broader paradigm of gradual liberalisation and cautious management of the globalisation of Chinese capital.

These companies are used by the Chinese authorities to implement internationalisation mechanisms in a controlled manner, both through share issues on stock exchanges in the US (via ADRs) and in Europe (via GDRs). In recent years, there has been a development of institutional cooperation mechanisms between Chinese stock exchanges and selected capital markets in Europe, as reflected in the launch of programmes such as stock connect broadly explained in Chapter 5 of this thesis. To date, three such systems connecting Chinese stock exchanges with their European counterparts have been initiated. The first of these, London–Shanghai Stock Connect, came into force in 2019, creating a legal framework for the listing of Chinese companies in London through the issuance of GDRs (Yang *et al.*, 2019; Yao & Cheng, 2024). In 2022, two more agreements of a similar nature were signed: with the FSE (CEINEX, 2022) and the Zurich Stock Exchange (SIX, 2022).

In this section data is provided on companies that have decided to make their international debut in the form of depositary receipts on European stock markets. Due to the possibility of issuing not only equity securities but also other types of financial instruments, including debt securities and ETFs, the FSE is not included below. However, so far only company Haier Smart Home (CEINEX, 2022) has issued equity securities in this form on the Frankfurt market.

An initial step in this process is the establishment of the London–Shanghai Stock Connect, a mechanism enabling Chinese companies to issue GDRs listed on the LSE, thereby facilitating access to European capital markets without the necessity of a full-scale entry into the British market (Yao & Cheng, 2024). This mechanism is a compromise between internationalisation and maintaining control over the ownership structure (Pham, 2024). Table 8.5 presents a list of Chinese companies that have decided to issue GDRs on the London market under this initiative.

The analysis of the sectoral structure of Chinese companies issuing GDRs on the LSE indicates their significant industry diversity. These companies represent many sectors of the economy, from heavy industry to services, which makes it difficult to identify a dominant group. Due to the relatively small number of issuers, it is also difficult to draw far-reaching conclusions about sector trends. However, their common denominator is their established market position. Most of companies are long-standing entities operating in strategic sectors of the economy. The significant involvement of state capital is also noteworthy, as in most cases the State Treasury

holds over 70% of the shares. Geographically, these companies originate mainly from the eastern, more developed regions of China.

Table 8.5. Chinese companies listed GDRs on the LSE

No.	Company name	IPO date	Date of incorporation	Province of HQ	SOE score (%)	Industry name
1.	Huatai Securities Co Ltd	20.06.2019	09.04.1991	Jiangsu	100	Investment Banking & Investment Services
2.	China Pacific Insurance Group Co Ltd	22.06.2020	13.05.1991	Shanghai	70.53	Insurance
3.	China Yangtze Power Co Ltd	30.09.2020	04.11.2002	Beijing	100	Electric Utilities & IPPs
4.	SDIC Power Holdings Co Ltd	22.10.2020	18.06.1996	Beijing	100	Electric Utilities & IPPs
5.	Ming Yang Smart Energy Group Ltd	13.07.2022	02.06.2006	Guangdong	70.53	Renewable Energy
6.	Zhejiang Yongtai Technology Co Ltd	11.07.2023	11.10.1999	Zhejiang	71.14	Chemicals

Note: SOE score (%) denotes the proportion of state ownership in the company's equity structure. Industry has been determined based on The Thomson Reuters Business Classification

Source: own elaboration based on LSEG Workspace data.

The Swiss SIX Exchange in Zurich has become the second important channel for Chinese companies to be listed in Europe, with a programme similar to that in London operating there since 2022. Issuers can take advantage of a quick process for introducing GDRs compare to listing in China. Table 8.6 provides an overview of Chinese companies that have taken advantage of this opportunity and made their debut on the Swiss SIX Exchange.

The sectoral structure of Chinese companies listed in Zurich is more homogeneous than that of the LSE. Companies from the high-tech sector and those related to the extraction and processing of natural resources predominate. As in case of the LSE, these are companies with a long history, often with the status of national champions. Similarly to the companies listed in London, there is a high level of state ownership, exceeding 70% of shares. These companies are mainly based in economically developed regions of eastern China, which indicates a geographical concentration of more advanced forms of internationalisation.

Table 8.6. Chinese companies listed GDRs on Swiss SIX Exchange

No.	Company name	IPO date	Date of incorporation	Province of HQ	SOE score (%)	Industry name
1.	GEM Co Ltd	28.07.2022	28.12.2001	Guangdong	71.14	Environmental Services & Equipment
2.	Gotion High tech Co Ltd	28.07.2022	23.01.1995	Jiangsu	70.53	Electrical Components & Equipment
3.	Hangzhou Greatstar Industrial Co Ltd	15.11.2022	09.08.2001	Zhejiang	71.14	Appliances, Tools & Housewares
4.	Jiangsu Eastern Shenghong Co Ltd	28.12.2022	16.07.1998	Jiangsu	71.14	Commodity Chemicals
5.	Joincare Pharmaceutical Group Industry Co Ltd	26.09.2022	18.12.1992	Guangdong	71.14	Pharmaceuticals
6.	Keda Industrial Group Co Ltd	28.07.2022	11.12.1996	Guangdong	71.14	Industrial Machinery & Equipment
7.	Lepu Medical Technology Beijing Co Ltd	21.09.2022	11.06.1999	Beijing	71.14	Medical Equipment, Supplies & Distribution
8.	Ningbo Shanshan Co Ltd	28.07.2022	14.12.1992	Zhejiang	71.14	Commodity Chemicals
9.	Sunwoda Electronic Co Ltd	14.11.2022	09.12.1997	Guangdong	71.14	Electrical Components & Equipment
10.	FangDa Carbon New Material Co Ltd	15.03.2023	18.01.1999	Gansu	71.14	Electrical Components & Equipment
11.	Kunshan Dongwei Technology Co Ltd	13.06.2023	29.12.2005	Jiangsu	71.14	Industrial Machinery & Equipment
12.	Shenzhen Senior Technology Material Co Ltd	18.12.2023	17.09.2003	Guangdong	70.53	Electrical Components & Equipment
13.	SUPCON Technology Co Ltd	17.04.2023	07.12.1999	Zhejiang	70.53	Industrial Machinery & Equipment
14.	Will Semiconductor Co Ltd Shanghai	10.11.2023	15.05.2007	Shanghai	71.14	Semiconductors
15.	Yangzhou Yangjie Electronic Technology Co Ltd	18.04.2023	02.08.2006	Jiangsu	71.14	Semiconductors
16.	Zhejiang HangKe Technology Incorporated Co	22.02.2023	21.11.2011	Zhejiang	71.14	Electrical Components & Equipment
17.	Zhejiang Huayou Cobalt Co Ltd	07.07.2023	22.05.2002	Zhejiang	71.14	Specialty Mining & Metals

Note: SOE score (%) denotes the proportion of state ownership in the company's equity structure. Industry has been determined based on The Thomson Reuters Business Classification.

Source: own elaboration based on LSEG Workspace data.

As shown by these examples, stock connect programmes are mainly used by large SOEs of strategic importance to the economy of the China. The issuance of GDRs on European stock exchanges may enable them not only to diversify their sources of financing by raising capital from foreign markets, but also to increase their international visibility and credibility. Listing on reputable capital markets such as London or Zurich can therefore be seen as part of an internationalisation strategy aimed not only at operational expansion but also at building trust among foreign investors and trading partners. In addition, presence on European trading markets promotes compliance with international corporate governance standards and disclosure requirements, which may be a motivation to improve the internal management systems of these entities. Thus, stock connect programmes play not only a financial role, but also an institutional and image-building role in the process of global integration of Chinese companies.

In discussing the functioning of links between stock exchanges in Europe and China, it is also important to look at the restrictions in the country of origin on Chinese companies' decisions regarding international IPO. Restrictive admission requirements and a lack of transparency in regulatory oversight, particularly on the part of the CSRC, have a negative impact on companies' will to seek listing in Europe. The literature repeatedly points to the complexity and unpredictability of the process of obtaining approval for public issuance in China (Chen & Zhao, 2023; Chi, 2023; Xinhua, 2023; Zhao *et al.*, 2023; Bernstein, 2024). Criticism has been pointed at both the arbitrariness of the decisions of CSRC and the lack of clear timeframe of the approval procedure (Qian *et al.*, 2022; Chi, 2023; Lockett & Leng, 2023).

As indicated in Chapter 3, in recent years, the procedures for admitting companies to public share offerings in China have undergone significant changes, which has a direct impact on both domestic IPOs (Cong & Howell, 2021; Packer & Spiegel, 2023) and foreign listings (Fried & Kamar, 2020; Shao *et al.*, 2025). With regard to the domestic market, the IPO system has been reformed to a registration-based mechanism, which in theory shifts the emphasis from administrative, authoritarian approval by the central regulator to the assessment of compliance of documentation and disclosure of information by the stock exchanges and the market themselves. Despite the change, the CSRC still controls companies in terms of compliance with the formal requirements of the listing itself, as well as in terms of disclosure of the required information, and consent must be given for each foreign listing. These reforms began to be implemented as early as 2019, and their full extension was formalised in 2023 in a package of regulations concerning the registration procedure (Chen & Zhao, 2024; Shao *et al.*, 2025).

In addition, in March 2023, the CSRC published and implemented a set of regulations on external offerings and listings of domestic companies, known as the Trial Administrative

Measures of Overseas Securities Offering and Listing by Domestic Companies, which establish a filing-based regime for offerings and listings outside mainland China. Under these regulations, companies conducting IPOs or other forms of offerings abroad are required to submit an appropriate notification to the CSRC within a specified period after filing documents on the target market (Feng *et al.*, 2024; Ye & Lu, 2024).

The regulations cover both direct and indirect listings, as well as subsequent issues or related activities, such as subsequent issues of securities, including GDRs. The regulator declares a ‘filing-based’ mode, which still requires approval from the CSRC. As indicated in the literature, applicants face additional substantive and inter-institutional controls (Lee *et al.*, 2023, p. 45). These controls often concern data security or cybersecurity reviews, which in market realities are sometimes identified as a source of delays and greater uncertainty compared to the previous period. Therefore, the CSRC's control over companies wishing to enter foreign markets is very broad, and as examples such as Didi (Chen, 2022; Lee *et al.*, 2023, p. 45; Bu, 2025) and Luckin Coffee (Xi & Huang, 2021; Peng *et al.*, 2022; Feng, 2024, p. 20) show, the CSRC has a very significant impact on the ability of companies to list abroad. Additional restrictions are also encountered by companies operating in the so-called restricted sectors listed in the Catalogue (Chen, 2021; Brown, 2017, pp. 209–212).

The consequence of these changes is, firstly, an increase in formal national supervision of cross-border offerings and, secondly, a potential lengthening and complication of the process of obtaining the ‘green light’ to enter a foreign market (Lockett & Leng, 2023). Market reports indicate that although the CSRC is gradually processing applications, in practice these procedures (especially in cases of complex ownership structures such as VIEs) may involve additional months of waiting and cooperation between multiple authorities, which influences companies' decisions regarding the choice of place and time of listing (Lee *et al.*, 2023, p. 53). In light of the above, obtaining approval or correctly filing with the CSRC is now a complex and multifaceted process. For domestic offerings, it is important to comply with the registration model and disclosure requirements, while for foreign offerings, it is crucial to meet the filing requirements, pass any security reviews, and coordinate with the legislation and regulators of the target markets (Bu, 2025).

The political influence on the approval of securities issuance on the Swiss SIX Exchange by Chinese companies is also evidenced by recent media reports on the withdrawal of some Chinese companies from their plans to issue GDRs. Table 8.7 presents a list of Chinese companies that planned to issue GDRs on European stock exchanges.

Table 8.7. The list of Chinese companies rejected to list on European stock exchanges or awaiting a decision of CSRC

No.	Company name	Stock exchange	Stock code	SOE (%) score	Industry
1.	CATL	Swiss SIX Exchange	300750.SZ	0.00	Machinery, Tools, Heavy Vehicles, Trains & Ships
2.	Jiangsu Yuyue Medical Equipment & Supply Co	Swiss SIX Exchange	002223.SZ	71.36	Healthcare Equipment & Supplies
3.	Bethel Automotive Safety Systems Co Ltd	Swiss SIX Exchange	603596.SS	71.36	Automobiles & Auto Parts
4.	Tianneng Power International Limited	Swiss SIX Exchange	00819.HK	0.00	Machinery, Tools, Heavy Vehicles, Trains & Ships
5.	East Money Information	Swiss SIX Exchange	300059.SZ	71.36	Investment Banking & Investment Services
6.	Sany Heavy Industry	Swiss SIX Exchange	600031.SS	71.36	Machinery, Tools, Heavy Vehicles, Trains & Ships
7.	Sichuan Road & Bridge Group	Swiss SIX Exchange	600039.SHH	73.82	Construction & Engineering
8.	Eastroc Beverage	Swiss SIX Exchange	605499.SHH	71.36	Beverages
9.	Sanhua Intelligent Control	Swiss SIX Exchange	002050.SZ	71.36	Machinery, Tools, Heavy Vehicles, Trains & Ships
10.	Foster	Swiss SIX Exchange	603806.SH	71.36	Chemicals
11.	Aiko Co. Ltd.	Swiss SIX Exchange	600732.SH	71.36	Renewable Energy
12.	LONGi Green Energy	Swiss SIX Exchange	601012.SS	71.36	Renewable Energy
13.	Syngenta	Swiss SIX Exchange / LSE	-	100	Agricultural Chemicals
14.	Sungrow Power Supply	FSE	300274.SZ	71.36	Renewable Energy
15.	JinkoSolar	FSE	88223.SS	0.00	Renewable Energy
16.	Pioneer Intelligence	Swiss SIX Exchange	300450.SZ	71.36	Machinery, Tools, Heavy Vehicles, Trains & Ships
17.	Eyebright Medical Technology Co Ltd	Swiss SIX Exchange	688050.CN	0.00	Medical Equipment, Supplies & Distribution
18.	Beijing United Information Technology Co Ltd	Swiss SIX Exchange	603613.CN	0.00	Online services
19.	Chengxin Lithium Group Co., Ltd.	Swiss SIX Exchange	002240.SZ	3.71	Chemicals
20.	Sichuan Teway Food Group Co., Ltd.	Swiss SIX Exchange	603317.SS	71.36	Food & Tobacco
21.	Beijing Capital Retailing Group Co Ltd	Swiss SIX Exchange	600723.SS	100	Real estate
22.	Tianneng Battery Group Co., Ltd.	Swiss SIX Exchange	688819.SS	71.36	Machinery, Tools, Heavy Vehicles, Trains & Ships
23.	Milkyway Chemical Supply Chain Service Co., Ltd.	Swiss SIX Exchange	603713.SS	0.00	Freight & Logistics Services

24.	Guangzhou Tinci Materials Technology Co., Ltd.	Swiss SIX Exchange	002709.SZ	71.36	Chemicals
25.	Jiangsu Yuyue Medical Equipment & Supply Co., Ltd.	Swiss SIX Exchange	002223.SS	0.00	Medical Equipment, Supplies & Distribution
26.	Zhejiang Sanhua Intelligent Controls Co., Ltd.	Swiss SIX Exchange	002050.SZ	71.36	Machinery, Tools, Heavy Vehicles, Trains & Ships
27.	East Money Information Co., Ltd.	Swiss SIX Exchange	300059.SZ	71.36	Investment Banking & Investment Services
28.	Muyuan Foods Co., Ltd.	Swiss SIX Exchange	002714.SZ	71.36	Food & Tobacco
29.	Thunder Software Technology Co., Ltd.	Swiss SIX Exchange	300496.SZ	71.36	Software & IT Services

Note: Industry has been determined based on The Thomson Reuters Business Classification.

Source: own elaboration based on LSEG Workspace data; Gu, L., & Goh, B. (2022). *Swiss Exchange six says it got no guidance to pause GDR issuance by Chinese firms*. Reuters. <https://www.nasdaq.com/articles/swiss-exchange-six-says-it-got-no-guidance-to-pause-gdr-issuance-by-chinese-firms-0> (access as of 01.11.2025); Yan, Z., & Goh, B. (2023). *China's XI has mixed feelings about catl's battery market dominance*. Reuters. <https://www.reuters.com/world/china/chinas-xi-tells-catl-he-has-mixed-feelings-about-its-battery-dominance-2023-03-07/> (access as of 14.11.2025); Murdoch, S. & Wang, E. (2023). *Hesai Group rises in U.S. IPO, biggest for Chinese firm since 2021*. Reuters. <https://www.reuters.com/technology/hesai-group-rises-us-ipo-biggest-chinese-firm-since-2021-2023-02-10/> (access as of 11.02.2024); SSE. (2025b). *Yicai: China's capital market to open up more and more, CSRC vice chair says*. Shanghai Stock Exchange. [https://english.sse.com.cn/news/newsrelease/voice/c/c\\_20251114\\_10798384.shtml](https://english.sse.com.cn/news/newsrelease/voice/c/c_20251114_10798384.shtml) (access as of 16.11.2025); Xue, J., & Westbrook, T. (2023). *Another Chinese company scraps GDR plan as listing rules tighten*. Reuters. <https://www.reuters.com/markets/asia/another-chinese-company-scraps-gdr-plan-listing-rules-tighten-2023-06-20/> (access as of 01.11.2025).

Due to the established relations between the stock exchanges in London, Switzerland and Frankfurt, the list of these entities is limited to these exchanges. Importantly, the list includes both entities that withdrew from such issuance themselves and those that did not obtain approval from the CSRC.

With regard to the reasons for companies withdrawing their applications, some companies publish the explanations for their decisions in a few short words, without rationalizing them in detail. These are usually very brief and concise statements in the form of press releases. They most often include general statements about changes in the internal and external environment, changes in the financial and operating situation of companies, or changes in capital requirements.

There are also more striking cases indicating the high political nature of the motives behind Chinese companies going public. For example, CATL, which controls 37% of electric battery production, had to cancel its plans to issue GDRs on the Swiss SIX Exchange after President Xi, during a meeting with industry and trade representatives on the sidelines of the annual parliamentary session, said he was 'both happy and worried' about the direction of a company operating in a sensitive sector of the economy (Murdoch & Wang, 2023). It is

pointed out that President Xi was pleased with the company's leading position but concerned about the risks associated with the leakage of technological knowledge (Yan & Goh, 2023).

With regard to cases where companies did not receive approval, it is argued that this is the result of new rules issued by the CSRC in 2023 regarding the issuance of GDRs abroad. In these guidelines, the CSRC significantly restricted and tightened the rules for issuing decisions on the issuance of these securities. An example of such a company is Syngenta, acquired by the Sinochem holding company in 2017, which is an Chinese SOE. The company wanted to make its debut on the Shanghai market, but the CSRC did not agree to this. The company is still considering a debut on markets such as Hong Kong, London or Zurich, but is waiting for more favourable conditions for the offering (Wiegmann, 2024).

To conclude, IPOs of Chinese companies are part of a broader state policy. An analysis of the literature, case studies and press materials show that foreign securities issues by Chinese SOEs are an important element of the China's broader political and institutional strategy. The process of SOE internationalisation is proceeding in stages, under strict control of the central authorities, and the selection of companies and target markets reflects both the strategic interests of the state and its willingness to test regulatory solutions in safe conditions. The cases of the first SOEs to debut on European markets, such as Air China and Beijing Datang Power Generation, as well as recent examples of SOEs debuting on European markets through GDR issues, show that IPOs in Europe serve not only an economic function, but also a signalling function, serving as a tool for building trust in Chinese economic institutions and increasing their legitimacy on the international stage. Thus, foreign IPOs of Chinese SOEs can be seen as part of a long-term strategy to increase China's presence and influence in the global financial architecture.

### **8.2.2. Characteristics of private companies choosing to list on the alternative markets of the London and Frankfurt stock exchanges**

The above examples show that stock connect programmes are used by SOEs, which can raise capital to finance their activities through the issuance of GDRs and also become more recognisable on the European market. In parallel with the policy of supporting the expansion of SOEs, Chinese private enterprises have begun to seek their own paths to global capital markets, often operating more flexibly but under conditions of greater regulatory uncertainty. Unlike SOEs, private companies are less likely to obtain official approval from the CSRC for a foreign debut (Qian *et al.*, 2022; Chi, 2023; Xinhua, 2023). As a result, they use alternative mechanisms, such as establishing foreign subsidiaries, which then conduct IPOs outside China.

A frequently used structure, especially on the HK and US stock exchanges, is the VIE, which, although formally incompatible with Chinese law, is accepted by regulators in practice (Zhao, 2022; Fang *et al.*, 2023; Lee *et al.*, 2023, p. 53).

In the European context, the expansion of Chinese private companies has taken the form of listings on alternative markets, mainly in London and Frankfurt. These listings were often carried out by relatively small companies that had a need for capital and a desire to circumvent formal regulatory barriers in China. The choice of smaller, more flexible markets enabled faster and less formalised entry onto the stock market.

This study also identified private companies that issue equity securities on European markets. It is worth noting the large group of Chinese companies that entered alternative markets in Frankfurt and London. Table 8.8 presents a summary of the characteristics of Chinese companies that entered these stock markets in Europe.

This comparative analysis is based on a detailed assessment of the individual characteristics of each of the companies analysed. By identifying and describing the qualitative and quantitative characteristics of companies, a summary overview is presented in the form of summary tables. In order to capture the structure and diversity of the analysed groups in terms of quantitative variables, basic measures of central tendency were used, such as the arithmetic mean and median, allowing for the assessment of typical values within the sample. Furthermore, the same characteristics were also presented for companies listed on a particular market in the same research period. This made it possible to present this group of companies in a broader context, i.e. against the background of all companies listed on that market.

The analysis presented in Table 8.8 indicates significant differences between Chinese companies listed on the LSE AIM and companies present on the alternative markets of the German FSE stock exchange. In terms of the number of issuers, 57 Chinese companies debuted on AIM between 2002 and 2020, while on FSE 36 companies decided for public listing between 2006 and 2018. These markets also differ in terms of the jurisdiction in which companies are registered. In the case of AIM, entities registered in so-called tax havens (the British Virgin Islands, the Cayman Islands, Bermuda) dominated, which may reflect a desire for tax optimisation and a more flexible regulatory framework. However, on the FSE Chinese companies were mainly registered in Germany. Only five companies identified themselves directly as Chinese. The rest were companies incorporated in other European countries or so-called offshore jurisdictions, such as the British Virgin Islands. These companies first establish their special purpose vehicles or branches in the country of foreign issuance and only then go public.

Table 8.8. The comparison of Chinese companies listed at alternative markets in London and Frankfurt

Criteria	LSE (AIM)	FSE (alternative markets)
Number of listed Chinese companies	57	36
Years when companies were listed	2002-2020	2006-2018
Place of incorporation of Chinese companies	mainly tax havens: British Virgin Islands, Cayman Islands, Bermuda	mainly Germany
HQ of Chinese companies	most commonly mainland China or HK	mainly Germany
Private companies vs. SOE	private	private
Geographical origin	eastern part of China	eastern part of China
Sector of business activity	Finance and investment funds Energy and natural resources Information technology and electronics Construction and real estate	Clothing and consumer goods Healthcare and biotechnology Energy and natural resources Logistics and business support services
Chinese companies: opening price in EUR on the first day of listing	Mean: 108.080 Median: 63.460	Mean: 6.472 Median: 1.745
All companies: opening price in EUR on the first day of listing	Mean: 107.012 Median: 76.800	Mean: 6.579 Median: 2.000
Chinese companies: market capitalisation in EUR million based on the first closing price	Mean: 671.420 Median: 44.478	Mean: 38.316 Median: 15.900
All companies: market capitalisation in EUR million based on the first closing price	Mean: 66.286 Median: 30.517	Mean: 74.349 Median: 15.725
Chinese companies: capital raised in EUR million	Mean: 62.938 Median: 7.735	Mean: 16.759 Median: 8.588
All companies: capital raised in EUR million	Mean: 25.904 Median: 8.400	Mean: 31.650 Median: 7.158

Source: own elaboration based on the LSEG Workspace data.

When analysing the UBO of such a company, it is difficult to immediately identify its place of incorporation. Very often, this is a hierarchical relationship in which only the UBO is an entity from China recognised as having decision-making power and exercising actual

control. This may make it easier for these companies to ensure regulatory compliance and build trust among local investors.

The headquarters of companies listed on AIM were mainly located in Mainland China or Hong Kong, while in the case of FSE they were mostly located in Germany. Both markets were dominated by private companies, mostly originating from the eastern provinces of China.

The sectoral structure indicates different business profiles. Companies listed on AIM were mainly represented by the financial and investment fund industries, the energy and raw materials sector, information technology and electronics, and construction and real estate. In contrast, the FSE, was dominated by companies from the clothing and consumer goods, healthcare and biotechnology, energy and natural resources, as well as logistics and business services sectors. These differences may reflect both the different preferences of investors in individual markets and the entry strategies of Chinese companies, tailored to the characteristics of demand in a given jurisdiction.

In terms of market parameters, Chinese companies on AIM had significantly higher average opening prices on the first day of listing (EUR 108.08) than their counterparts on the FSE (EUR 6.47). This value remained at a similar level to the average for all companies listed on AIM, but was significantly higher than the average on the FSE. A similar relationship can be observed in terms of market capitalisation. On AIM, the average capitalisation of Chinese issuers based on the first closing price reached EUR 671.42 million, while on the FSE it was EUR 38.32 million.

There are also significant differences in terms of capital raised. Chinese companies on AIM raised an average of EUR 62.94 million, while on the FSE this figure was EUR 16.76 million. Importantly, on both markets, the medians of the capital raised were significantly lower than the averages, indicating a high degree of sample variation and the presence of a few exceptionally large issues that raise the mean value.

A comparison of these two groups of companies indicates that Chinese companies listed on AIM were, on average, larger in scale and had higher market parameters than their counterparts on alternative FSE markets. This could be due to differences in company selection, as well as different regulatory requirements and investor structures in both markets.

Referring the above findings, restrictions resulting from restrictive admission requirements and opaque regulatory supervision in the country of origin influence companies' decisions to enter stock markets in Europe. As indicated, this applies primarily to private companies, which use various types of manoeuvres (VIE, offshore, reverse mergers, takeovers) to circumvent unfavourable and non-transparent listing requirements. However, these

restrictions also apply to SOEs, as evidenced by the long list of entities awaiting approval by the CSRC and refusals to grant approval for overseas listing. With this in mind, European stock exchanges offer a more predictable and transparent institutional environment, which may attract Chinese companies seeking to improve their reputation and gain access to investors requiring a high level of reporting transparency.

### **8.3. Summary**

This chapter explores the institutional factors influencing Chinese companies' decisions to conduct IPOs on European stock exchanges. The analysis considers both external factors related to the institutional environment of host countries and internal factors resulting from the regulatory and political framework in China. The study considers a number of arguments that were used to test the institutional hypotheses formulated in this thesis. A summary of these arguments is presented in Table 8.9.

In light of the conducted analyses, in case of Chinese issuers, the decision to choose a specific capital market is shaped by a complex set of institutional determinants (Thank, 2020; Serdar *et al.*, 2024). A comparative analysis of the institutional conditions for the operation of companies in China and in the countries where they went public revealed significant differences in terms of governance quality, economic freedom, the legal system and the cultural dimension. This was confirmed by aggregated indicators describing the institutional environment published by international institutions such as the WB, the Heritage Foundation, and the results of Hofstede's cultural studies.

Considering the arguments presented in this chapter, they simultaneously confirm the validity of hypothesis 5, suggesting that the quality of the institutional environment of host markets is a key factor influencing the decision of Chinese companies to list on a foreign stock exchange rather than domestically. The evidence presented, including in particular comparative institutional indicators, case studies of suspended listings, and analyses of cultural and legal distance, shows that the institutional quality, transparency and regulatory stability of host markets are key factors influencing cross-border listings. Chinese companies may view listing on foreign exchanges, including European ones, as a way to diversify political or financial risk. Listing in stable jurisdictions, such as European countries, can be a tool for minimising external risk and building balance in an unstable political environment. Despite clear cultural differences between China and developed Western countries, it is precisely the institutional maturity, transparency and reputation of these countries that can make them attractive to Chinese

companies. Cultural differences may not be so much a deterrent as a challenge that is consciously taken on as a step towards globalisation and professionalisation.

Table 8.9. The overview of arguments collected for supporting hypotheses of institutional nature

Hypothesis	Arguments used to verify the hypothesis	Hypothesis verification
H5. The quality of the institutional environment in Europe	WDI indicators illustrating political and institutional disparities between China and host countries (sec. 8.1.1)	Confirmed
	Case studies of Chinese companies whose listings were suspended or delayed for political reasons (sec. 8.1.1)	
	Comparative analysis of the Index of Economic Freedom for China and host markets (sec. 8.1.1)	
	Comparative review of legal frameworks and regulatory environments in China and host countries (sec. 8.1.2)	
	Differences in the adoption of accounting standards (sec. 8.1.2)	
	Application of Hofstede's cultural dimensions to explain listing preferences (sec. 8.1.3)	
H6. The institutional environment in China, including government policies and regulatory constraints in domestic market	Stock connects programmes for GDR listing in Europe (sec. 8.2.1)	Confirmed
	Case studies of Chinese companies which listing was suspended due to political reasons (sec. 8.1.1)	
	Case studies of Chinese companies awaiting the decision of CSRC to issue GDRs in Europe (sec. 8.2.1)	
	Case studies of companies listed on the alternative markets in Frankfurt and London (sec. 8.2.2)	
	The literature review on political and institutional constraints in China and political impact on stock market in China (sec. 3)	

Source: own elaboration.

Although these indicators are an important research tool, enabling phenomena to be captured in a comparative and systematic manner, one should be aware of their limitations, in particular the risk of oversimplifying the institutional reality based on aggregate values. Despite the identified limitations regarding the nature of the analysed indicators, the literature also emphasises that institutional differences are particularly important in the case of Chinese companies, for which the state plays a key role in shaping foreign expansion strategies, including IPOs (Pan & Brooker, 2014; Liu *et al.*, 2017; Li *et al.*, 2018; Huang & Gu, 2023; Quintero *et al.*, 2023; Cui *et al.*, 2025). This is particularly accurate for SOEs, which, due to their strong political ties, have greater opportunities to obtain support in the process of listing on foreign markets. As a result, the likelihood of going public outside China is significantly higher than in the case of private entities (Hung *et al.*, 2012; Li *et al.*, 2021; Xiong & Zhao, 2021; Cao *et al.*, 2022; Qian *et al.*, 2022; Chi, 2023).

Therefore, the research outcomes demonstrate that Chinese issuers' decision to list overseas is strongly influenced by the interplay between domestic policy priorities. The restrictions in China, such as state control over capital flows, approval requirements imposed by the CSRC and limited financial openness, remain significant barriers to international expansion. In light of the above, it is reasonable to assume that the internal institutional framework constitutes one of the key determinants of the internationalisation of Chinese capital markets. This observation supports the last hypothesis formulated in this thesis, i.e. hypothesis 6 stating that the regulatory and political environment in China plays a crucial role in shaping Chinese companies' decisions to seek listings on European stock markets.

The importance of the state strategy for the internationalisation of economic activity is confirmed by the functioning of the bilateral stock connect programmes between stock exchanges in China and London, Zurich and Frankfurt since 2019, which have institutionalised the issuance of GDRs (Yang *et al.*, 2019; Yao & Cheng, 2024). These programmes are part of a top-down policy to support international financial expansion and reflect the active role of the authorities in regulating companies' access to foreign capital markets (Härtsch & Dedeyan, 2021; Xu *et al.*, 2024a). These results are consistent with earlier studies on ADR issuance in the US, where political motivations often prevailed over strictly economic considerations (Hung *et al.*, 2008; Luo *et al.*, 2012).

The activity of Chinese private companies remains an interesting phenomenon compared to SOEs. Despite the lack of formal government support, they decide to issue securities abroad, guided by a different set of motivations, including the desire to increase their credibility in the eyes of global investors, diversifying their sources of financing, and building brand recognition in international markets. This indicates that the institutional environment has a multidimensional impact on IPO decisions and depends not only on the nature and ownership structure of the company, but also on its strategic goals in the area of foreign expansion.

Considering the results of the institutional hypotheses tested in this chapter, as well as the conclusions from Chapter 7, which verified the economic hypotheses, it is essential to return to the main hypothesis formulated in this thesis. According to its wording, non-economic factors are the main drivers behind the expansion of Chinese companies on European stock markets. The analyses conducted confirmed that the results support the importance of institutional theories on internationalisation and emphasise the dual nature of factors, both favourable and limiting, that shape the globalisation of Chinese capital. Institutional and regulatory factors, including state interventionism, capital flow controls and political barriers, significantly influence Chinese issuers' decisions to go public on foreign stock markets. The decision of

Chinese issuers to list abroad depends to a large extent on the interaction between domestic policy priorities and the institutional opportunities available in the host markets. Furthermore, the results of the study also indicate that economic motives, such as improving profitability, expanding the investor base, accessing capital, or pursuing operational growth, do not appear to be significant factors for Chinese companies listing in Europe. In fact, the empirical analysis did not reveal particular differences in the results achieved by Chinese counterparts that decided to conduct IPOs in China.

Overall, the institutional environment, both in China itself and in the host countries, is thus considered to be of key importance in the internationalisation process of Chinese companies. This relationship confirms the validity of the main hypothesis, indicating that Chinese companies' decisions to enter European markets are primarily strategic for the state itself and institutional, rather than mainly economic. These results also provide a basis for further research on the impact of regulation, state policy and international relations on the internationalisation of capital markets.

## CONCLUSIONS

In the global economy, China's position is growing both in terms of industrial production and trade, as well as through the increasing presence of Chinese companies on financial markets. In the last few decades, Chinese companies have focused their stock market listings primarily on US markets and the HKEX, seeking access to more liquid capital, increased prestige among international investors and opportunities to attract foreign stakeholders. Recently there has been a noticeable increase in the Chinese authorities' interest in European markets, as reflected in the growing number of stock connect agreements and the increasing number of Chinese companies listing on European stock exchanges. In the view of the broader context of internationalisation of Chinese companies through expansion on the overseas stock exchanges, this process demonstrates their strategic objectives of diversifying funding sources, increasing global recognition, and consolidating China's influence in the international financial system.

The study aimed to explore factors that may influence the listing of Chinese companies on European stock exchanges through the issuance of equity securities on these markets. In this thesis a variety of quantitative and qualitative research methods were employed to uniquely capture the motives behind Chinese companies' decisions to go public in this geographical destination. Analysing European stock markets in terms of the presence of Chinese companies provides a cross-sectional presentation of changes in the choice of geographical direction, stock exchange, market segment, and form of listing. A comprehensive approach to examining the motives for foreign expansion by Chinese companies has provided a holistic picture of the reasons underlying IPOs by Chinese companies in Europe, as well as identifying factors that are of secondary importance for these entities.

Considering the results of empirical research conducted to verify economic hypotheses, the following conclusions can be drawn. The quantitative analysis has shown that economic factors are not the main determinants of Chinese companies' decisions to enter European capital markets. Despite the existence of statistically significant differences between individual groups, identified using both parametric and non-parametric tests, these differences do not confirm that changes in the economic indicators studied have a decisive influence on the choice of the listing location. An analysis of the economic indicators applied in this thesis demonstrates that, from the standpoint of the companies' internal conditions and developmental prospects, the decision to list on the European stock market appears not to be economically justified. Particularly

relevant in this context are the findings of the between-group effects analysis, which indicate that Chinese companies tend to achieve greater performance when conducting IPOs in their domestic market. Therefore, it can be stated that economic considerations are not the primary drivers of the foreign expansion of Chinese firms into European markets.

The lack of positive verification of the economic hypotheses emphasises that determinants of going public by Chinese companies exhibit a multifaceted nature and are influenced by external, non-economic factors. Legal and regulatory conditions, including access to a favourable institutional environment, also play an important role. An analysis of indicators developed by the international research institutions strongly supports the hypothesis that Chinese companies decide to go public on foreign markets characterised by better institutional and regulatory quality. Choosing a stock exchange in a country with higher legal standards can be seen as a form of institutional ‘bonding’ to build trust and credibility in the eyes of investors. The comparative methods used also refer to those foreign markets where Chinese companies most often make their stock market debut, i.e. Hong Kong, the US and Singapore. This study shows that all stock markets where Chinese companies list their instruments are characterised by a higher level of legal system and regulatory environment. An analysis through the prism of national culture according to Hofstede allows to understand that the motivations of Chinese companies to list on foreign markets may not only be an escape from the limitations of the domestic institutional environment, but also a desire for symbolic and real adaptation to business cultures oriented towards transparency, efficiency and independence. Therefore the regulatory environment play an important role in IPOs as evidenced by the example of regulatory changes regarding the listing of Chinese companies on US stock exchanges.

At the same time, the results point to the existence of a rational strategy of avoiding systemic constraints present in the domestic market, which is justified by institutional and bonding theories. SOEs, in which the decision-making process and the development of corporate development strategies are very closely linked to state policy, rely on the authoritarian decisions of the CSRC, which implements state policy, as evidenced by the example of numerous companies that have recently applied to issue GDRs on European stock exchanges. Companies that decide to issue GDRs are mainly SOEs. They are also companies that operate mainly in two sectors: high-tech and industry. By obtaining CSRC approval, these companies are implementing state policy in this area. In the history of Chinese companies listed on European markets, three main issuance destinations can be identified, i.e. London, Frankfurt, and Paris, particularly for a group of smaller, privately owned companies. These firms sought

financing opportunities in Europe while seeking to overcome political and legal restrictions in their home country. The diversity of the markets on which these companies are going public and the diversity of Chinese companies themselves confirm the general observation that these motives vary depending on the market on which Chinese companies are going public (Zhang & King, 2010; Pan & Brooker, 2014).

This suggests that the choice of listing location by Chinese companies is shaped not only by market-based considerations, but also by broader geopolitical and institutional factors. This pattern is particularly evident in the case of SOEs, through which public authorities may pursue strategic or policy-related objectives. In contrast, privately owned firms appear more inclined to seek listing opportunities abroad as a response to structural or regulatory constraints in the domestic market.

This study therefore makes an important contribution to the literature for several reasons. Firstly, it is the first study to comprehensively analyse the European securities market, covering both main and alternative markets, in terms of the presence of Chinese companies. Through a mix of empirical and qualitative research, this study provides a comprehensive picture of the motives behind the foreign expansion of this group of companies. Unlike previous studies on the US and Hong Kong markets, which mostly focused on economic aspects (such as financial leverage, profitability, operating income), this study deepens the understanding of the impact of institutional and legal determinants on the location of foreign IPOs. In particular, the study shows that state policy plays a major role in shaping the internationalisation strategy of Chinese companies. These companies, in a sense ‘escaping’ from the weaknesses of their domestic regulatory system, actively seek symbolic anchoring in systems with a high level of institutional transparency. Thus, this work fills a gap at the intersection of institutional economics, international finance and cultural studies in management, offering an integrated model explaining the behaviour of emerging market companies in global capital markets.

The analysis leads to a number of empirically grounded conclusions with practical significance. The investigation of the factors influencing the international expansion of Chinese enterprises provides valuable insights not only for the advancement of economic and financial research but also for the formulation of policies that support capital market development and the refinement of regulatory frameworks. Understanding the drivers behind Chinese companies’ listings on European stock exchanges offers a deeper view into their motives for internationalisation, strategies for raising capital across diverse institutional settings, and the ways in which regulatory, cultural, and market conditions shape IPO location decisions.

Such analysis enables to evaluate the relative attractiveness of European capital markets from the standpoint of firms originating in economies with distinct institutional, ideological, and political systems, such as China. Moreover, by comparing the determinants of Chinese listings in Europe with those in the US and Hong Kong, the study highlights both the common patterns and the unique considerations influencing firms' cross-border IPO choices. Placing this investigation in a broader context contributes to a more complex understanding of capital internationalisation processes amid growing globalisation, as well as the role of geopolitics and institutional asymmetries between issuing and host markets.

From the standpoint of European regulators and capital market authorities, the findings of this study may inform more effective approaches to supervision, transparency, and risk management. For investors, recognising the determinants behind such decisions enhances their ability to assess the risk and potential of foreign issuers operating in European exchanges. Ultimately, the topic aligns with wider academic discussions on transnational financing strategies, the impact of institutional environments on corporate behaviour, and the growing interconnection between local and global financial systems.

The study has several limitations that shall be also considered when interpreting the results. The process of identifying Chinese issuers proved particularly difficult due to the often complex ownership structure of these companies, the publication of incomplete or inconsistent data, and the lack of publicly available historical information on IPOs on specific stock exchanges. Consequently, the relatively small number of IPOs of Chinese companies on European stock exchanges with available data limited the possibility of conducting a more detailed and multi-level analysis of the motives behind their expansion into specific European markets or countries. Furthermore, relying on aggregate indicators to test institutional hypotheses involves a certain simplification in the presentation of the institutional environment of both China and the host economies, which may lead to contextual differences being overlooked. Finally, the use of the GEE method assumes correlations only within analysed companies, not between them. As a result, if there are significant intergroup relationships, the model may not fully capture them, which may limit the completeness of the presentation and lead to a potential underestimation of between-groups' effects.

In response to the limitations identified in the study and given the complexity of the research problem, future study on foreign IPOs of Chinese companies should develop in several complementary directions. Future research should focus on the importance of stock connect programmes between Chinese stock exchanges and other exchanges around the world in building future links between the growing Chinese stock markets and other stock markets. As

this analysis shows, this form of connection between stock exchanges has recently become popular. Despite the lack of approval from the CSRC, as shown by many examples cited in the press, Chinese companies are actively interested in the possibility of issuing GDRs on European markets. Therefore, the future research should focus on analysing the consequences of an increase in the number of Chinese companies in Europe in this way on European stock exchanges.

The forthcoming studies should also attempt to model the impact of Chinese state policy or regulatory tensions with the US on changes in the strategies adopted by companies. Taking into account geopolitical variables and industrial policy as moderators or mediators of IPO decisions could be an innovative contribution to the literature linking political economy and international finance. In the context of growing geopolitical tensions between the US and China, European capital markets may offer Chinese companies an attractive alternative to their traditional expansion route, which has often been the US stock exchanges. The relatively more stringent regulatory requirements characteristic of European markets, compared to those in their home country, may be perceived by Chinese companies not as a barrier, but as a factor increasing their credibility and perceived quality in the eyes of global investors. Obtaining admission to trading on a market with stricter corporate governance standards can serve as a quality signal, confirming the company's ability to meet requirements in line with international best practices. From the perspective of some Chinese issuers, listing procedures on selected European markets may be seen as more achievable and less politically risky than similar processes in the US, where additional regulatory requirements, such as the provisions of the HFCAA, have significantly raised the barrier to entry for Chinese companies. As a result, listing on a European market may be a strategic choice, combining the opportunity to strengthen corporate reputation with reduced exposure to potential restrictions resulting from political tensions between Beijing and Washington.

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