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Faculty of Business Administration

SEMINAR SERIES No. 04/1516

Finance

Do Share Issue Privatizations Really Improve Firm Performance in China?

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Abstract

This paper argues that the documented post-share issue privatization (SIP) decline in profitability is not evidence *per se* that China's SIP program is ineffective or unsuccessful. Instead, the positive privatization effect is often outweighed by a negative listing effect. We employ a triple difference approach to separate these two effects, and examine a sample of 248 Chinese SIPs from 1999-2009 matched with otherwise comparable SOEs and privately-owned firms. We document a negative listing effect since ROS of privately-owned firms tends to decline after going public by 2.6% and their EBIT/Sales by 3.8%. After adjusting for this negative listing effect, however, we show that China's SIP program yields significantly improved profitability (ROS and EBIT/Sales), and find this result is robust to alternative specifications. Our study highlights the need to account for the listing effect in analyzing performance improvements following share issue privatizations--which have accounted for the bulk of China's listed companies and market capitalization.

Date: **9 November, 2015 (Monday)**
Time: **16:00~17:30**
Venue: **Faculty of Business Administration, E22-1011**

A Short Biography of Prof. Qian SUN

Prof. Qian Sun is Professor and Head of Department of Finance at School of Management of Fudan University. Prof. Sun got his PhD degree from Arizona State University. Before joining Fudan University, he was Professor and Dean at Xiamen University. His research interests cover different topics in the area of Chinese stock market and international capital markets, including empirical asset pricing, corporate finance, and corporate governance. His research papers are published in reputable journals in economics and finance including Journal of Financial Economics, Journal of Corporate Finance, Journal of Banking & Finance, etc.

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