

RSM 419 Chinese Markets and Investments

Course Outline

Course Code	RSM 419 H1F
Course Name	Chinese Markets and Investments
Term, Year	Fall, 2022
Course Meets	Wednesday 5-7pm, WO25
Web page URL	https://q.utoronto.ca

Instructor Details

Name	Email	Phone	Office Hours	Office Link
Hai Lu	hai.lu@rotman.utoronto.ca	416-946-0677	Tuesday 3-4pm	RT 530 (Rotman south building)

Course Objectives

This course is designed to help students gain knowledge about Chinese institutions, capital markets, and a few emerging industries. Such knowledge can facilitate investment decisions in China as China's institutional environment exhibits significant differences from shareholder-driven Western economies.

The course begins by introducing a stakeholder approach to understanding Chinese institutions and highlighting the major differences relative to the capital markets in developed countries. Key institutional differences will be highlighted on areas such as corporate governance, information environment and quality, market transparency and efficiency, and the role of the government as an important stakeholder. Subsequent classes are devoted to understanding the key developments in a few landmark projects or industries that highlight China's unique position and competitiveness in the world. These include topics on high-speed train network, artificial intelligence, sustainable development and ESG, digital economy, silver industry and healthcare, joint-venture and cross-listing firms. Course materials are largely based on the instructor's own field research, various industry research reports, and academic papers.

After completing the course, the students are expected to gain many insights on achievements, challenges, and problems that China has been dealing with over the past three decades. Although the course mainly focuses on China, these insights should also be applicable to understanding international, especially other emerging, markets.

Course Prerequisites

9.0+ Credits Completed

Course Materials

Required Readings

Some references are listed in the *Tentative Class Schedule* at the end of the course outline. There is no textbook for the course because the material is based entirely on recent research papers and industry reports written within the past few years. Students may be asked to read a small number of research papers or reports, but the course is largely based on lecture slides and in-class discussions. As we go along, I will let you know when each of the required readings should be done. Please always focus on understanding the main ideas, rather than technical details.

Evaluation and Grades

Work	Percentage of grade	Due Date
Class Participation	15%	Ongoing
Assignment 1	10%	October 10
Assignment 2	10%	November 2
Mid-Term Test	30%	November 16
Group research project and presentation	35%	December 6 (slides) December 8 (report)

Course Format and Expectations

The expectations for each category are explained below:

Class participation – Attend classes and actively participate in discussions, asking/answering quality questions, etc..

Individual assignments – Complete two homework assignments.

Middle-term test – An hour and 40 minutes middle-term exam will be conducted to assess your understanding of the content covered in classes 1-8. The exam will cover the content studied in the first eight weeks.

Group research project – Each group consists of 3-4 members. You are asked to conduct research with the intention of investment in a certain industry and complete a research report. You also need to present analyses and key findings in class.

Missed Test

Students who miss the mid-term test for reasons entirely beyond their control (e.g. illness) may request special consideration for a make-up test.

In such cases, students must:

1. Notify the instructor AND the Rotman Commerce Program Office **on the date** of the missed test.
2. Complete a [Request for Special Consideration Form](#) and submit it along with your Absence Declaration on [ACORN](#) (please read the instructions on how to use the

Absence Declaration in ACORN) within **2 business days** of the originally scheduled test..

Students who do not provide this information will be given a grade of 0 (zero) for the missed test.

Late Assignments

All assignments are due in class on the date specified in class schedule. Late submissions will normally be penalized by 20% if the assignment is not received at the specified time. A further penalty of 10% will be applied to each subsequent day.

Students who, for reasons beyond their control, are unable to submit an assignment by its deadline must obtain approval from the instructor for an extension. Supporting documentation may be required.

Statement on Equity, Diversity and Inclusion

The University of Toronto is committed to equity, human rights and respect for diversity. All members of the learning environment in this course should strive to create an atmosphere of mutual respect where all members of our community can express themselves, engage with each other, and respect one another's differences. U of T does not condone discrimination or harassment against any persons or communities.

Commitment to Accessibility

The University is committed to inclusivity and accessibility, and strives to provide support for, and facilitate the accommodation of, individuals with disabilities so that all may share the same level of access to opportunities and activities offered at the University.

If you require accommodations for a temporary or ongoing disability or health concern, or have any accessibility concerns about the course, the classroom or course materials, please [email Accessibility Services](#) or [visit the Accessibility Services website for more information](#) as soon as possible. Obtaining your accommodation letter may take up to several weeks, so get in touch with them as soon as possible. If you have general questions or concerns about the accessibility of this course, you are encouraged to reach out to your instructor, course coordinator, or Accessibility Services.

Academic Integrity

Academic Integrity is a fundamental value essential to the pursuit of learning and scholarship at the University of Toronto. Participating honestly, respectfully, responsibly, and fairly in this academic community ensures that the U of T degree that you earn will continue to be valued and respected as a true signifier of a student's individual work and academic achievement. As a result, the University treats cases of academic misconduct very seriously.

[The University of Toronto's Code of Behaviour on Academic Matters](#) outlines the behaviours that constitute academic misconduct, the process for addressing academic offences and the penalties that may be imposed. You are expected to be familiar with the contents of this document.

Recording Lectures

Lectures and course materials prepared by the instructor are considered by the University to be an instructor's intellectual property covered by the Canadian Copyright Act. Students wishing to record a lecture or other course material in any way are required to ask the instructor's explicit permission, and may not do so unless permission is granted. Students who have been previously granted permission to record lectures as an accommodation for a disability are

excepted. This includes tape recording, filming, photographing PowerPoint slides, Quercus materials, etc.

If permission for recording is granted by the instructor (or via Accessibility Services), it is intended for the individual student's own study purposes and does not include permission to "publish" them in any way. It is forbidden for a student to publish an instructor's notes to a website or sell them in any other form without formal permission.

Tentative Weekly Schedule

Session	Topics	References (To be finalized)	Assignment
Class 1 (Sept. 14)	(Overview) Chinese Economy and Financial Markets	<p>Xiaodong Zhu, 2012. Understanding China's Growth: Past, Present, and Future. <i>Journal of Economic Perspectives</i>, 26, 4, 103-124</p> <p>Franklin Allen, Jun Qian, Chenyu Shan, Julie Zhu, 2021. Dissecting the Long-term Performance of the Chinese Stock Market. <i>Working paper</i>.</p> <p>Clive Lennox and Joanna Wu, 2022. A Review of China-Related Accounting Research in the Past 25 years. <i>Journal of Accounting and Economics</i>, 74, 2-3.</p> <p>References: Barry Naughton, The Chinese Economy: Adaption and Growth. Second Edition. The MIT Press, 2018. Marlene Amstad, Guofeng Sun and Wei Xiong. The Handbook of China's Financial Systems. Princeton University Press, 2020. Gang Xiao. Evolution of Chinese Capital Markets (中国资本市场变革, 肖钢). CITIC, 2020.</p>	
Class 2 (Sept. 21)	(Institutions I) Information Quality in Chinese Financial Market: stakeholder vs. shareholder framework, field evidence	<p>Information Quality in China's Capital Market and the Information Transparency Index, 2019, 2020, 2021 <i>White Paper</i>, Guanghua-Rotman Center for Information and Capital Market Research</p> <p>Hai Lu, Jee-Eun, Shin, and Mingyue Zhang, 2022. Financial Reporting and Disclosure Practices in China, <i>Working paper</i>.</p> <p>Graham, J., C. Harvey, and S. Rajgopal. 2005. The Economic Implications of Corporate Financial Reporting. <i>Journal of Accounting and Economics</i>, 40: 3-73.</p> <p>Dichev, I., J. Graham, C. Harvey, and S. Rajgopal. 2013. Earnings Quality: Evidence from the Field. <i>Journal of Accounting and Economics</i>, 56: 1-33.</p>	
Class 3 (Sept. 28)	(Institutions II)	Nobel Price Committee, 2013. Scientific Background: Understanding Asset Prices.	Assignment 1 distributed , due

	Market Efficiency and Strategic Behavior of Market Participants	A Case on Misrepresentation of Financial Information: Luckin Coffee (various discussions on media)	on Oct 5 in class.
Class 4 (Oct. 5)	(Institutions III) High Speed Train Network: A Case of Government Decision under Stakeholder Framework	Papers published in Chinese academic journals on the effect of high-speed trains on local economy and labor market; Costs and returns analysis World Bank Report (2018): China's High Speed Rail Development	
Class 5 (Oct. 12)	(Investment I) Investment in AI - Venture Capital and Private Equity	Nelson, Richard, The Simple Economics of Basic Scientific Research. Journal of Political Economy, 1959. 67, 3, 297-306 Li, D., T. Tong, and Y. Xiao. Is China Emerging as the Global Leader in AI? Harvard Business Review. February 18, 2021. Artificial Intelligence Index Report 2021, Stanford University HAI. China AI Development Report, 2018, China Institute for Science and Technology Policy, Tsinghua University.	
Class 6 (Oct. 19)	(Investment II) ESG: Overview, responsible investment, regulations	Global regulations and trend Findings from various academic papers Chinese Government Carbon Emission policies and its impact on corporate behavior. <ul style="list-style-type: none"> • Carbon Peak 2030 and Carbon Neutrality 2060 • Mandated Reporting on ESG activities Hai Lu, Qilin Peng, Jee-Eun Shin, and Luping Yu, Migration of Global Supply Chains: A Real Effect of Mandatory ESG Disclosure, 2022.	
Class 7 (Oct. 26)	(Investment III) ESG in China: Field evidence and cases	Lu, Hai, Jee-Eun Shin, Emma Wang, 2021. Inside the "Black Box" of Corporate ESG Practice: Field Evidence from China, Working paper. Case: Ant Forest	Assignment 2 distributed, Due on Nov 2 in class.

Class 8 (Nov. 2)	(Industries I): Digital Economy	The Future of Digital Innovation in China, McKinsey report, 2021. Various academic papers and white papers from industry	Group project assignment distributed on November 2.
Fall Reading Week (November 7 – 11)			
Class 9 (Nov. 16)	Term-Test (Topics covered in Class 1-8)		
Class 10 (Nov. 23)	(Industries II) Silver Economy and Healthcare	Hanewald, K., Bateman, H., Fang, H. and Wu, S., 2020. Is there a demand for reverse mortgages in China? Evidence from two online surveys. Journal of Economic Behavior & Organization, 169, pp.19-37. Various white papers and research reports	
Class 11 (Nov 30)	(China and World) Joint-venture & Cross-listed firms	History of open-door policy in China Background and development of the joint agreement between PCAOB and CSRC Randy Beatty, Hai Lu, Wei Luo, Jee-Eun Shin, 2020. Regulatory Oversight and Enforcement: Evidence from Chinese Firms Listed in the US. Working paper. Cases: Joint-ventures in China (e.g., Tim Coffee or Canada Goose) and US-listed Chinese firm (e.g., Alibaba)	
Class 12 (Dec. 7)	Group Research Project / Course Review	Presentation and Discussions	Slides due on Dec. 6 (a day before presentation), research report due on Dec. 8.

Please note that the last day you can drop this course without academic penalty is November 16, 2022.

Other Useful Links

- [Become a volunteer note taker](#)
- [Accessibility Services Note Taking Support](#)
- [Credit / No-Credit in RSM courses](#)
- [Rotman Commerce Academic Support](#)

URL links for print

- Book an appointment with a writing or presentation coach: <http://uoft.me/writingcentres>
- Writing and Presentation Coaching academic support page: <https://rotmancommerce.utoronto.ca/current-students/academic-support/writing-and-presentation-coaching/>
- Centre for Professional Skills Teamwork Resources page: <https://rotmancommerce.utoronto.ca/teamwork-resources>
- Book an appointment with a Teamwork Mentor: <http://uoft.me/writingcentres>
- Request for Special Consideration Form: <https://rotmancommerce.utoronto.ca/current-students/forms-requests-and-appeals/forms/>
- ACORN: <http://www.acorn.utoronto.ca/>
- Email Accessibility Services: accessibility.services@utoronto.ca
- Accessibility Services website: <http://studentlife.utoronto.ca/as>
- University's Plagiarism Detection Tool FAQ: <https://uoft.me/pdt-faq>
- The University of Toronto's Code of Behaviour on Academic Matters: <http://www.governingcouncil.utoronto.ca/policies/behaveac.htm>
- Information Commons Help Desk: <http://help.ic.utoronto.ca/category/3/utmail.html>
- Become a volunteer note taker: <https://studentlife.utoronto.ca/program/volunteer-note-taking/>
- Accessibility Services Note Taking Support: <https://studentlife.utoronto.ca/service/note-taking-support/>
- Credit / No-Credit in RSM courses: <https://rotmancommerce.utoronto.ca/current-students/degree-requirements/credit-no-credit-option/>
- Rotman Commerce Academic Support: <https://rotmancommerce.utoronto.ca/current-students/academic-support/>