

## RSM 419 Chinese Markets and Investments

### Course Outline

<b>Course Code</b>	RSM 419 H1F
<b>Course Name</b>	Chinese Markets and Investments
<b>Term, Year</b>	Fall, 2023
<b>Course Time</b>	Wednesday 5-7pm, See ACORN for location
<b>Web page URL</b>	<a href="https://q.utoronto.ca">https://q.utoronto.ca</a>

### Instructor Details

Name	Email	Phone	Office Hours	Office Link
Hai Lu	<a href="mailto:hai.lu@rotman.utoronto.ca">hai.lu@rotman.utoronto.ca</a>	416-946-0677	Tuesday 3-4pm	RT 530 (Rotman north building)

### Course Objectives

This course is designed to help students gain knowledge about Chinese institutions, capital markets, and a few important industries.

The course begins by introducing a connected stakeholder approach to understanding Chinese institutions and highlighting the major differences relative to the capital markets in developed countries. Subsequent classes are devoted to understand the behaviors of market participants and to provide an overview of a few important industries in China. Specifically, topics include information quality and earnings management, high-speed train network, artificial intelligence, sustainable development and ESG, carbon neutrality, digital economy, silver industry and healthcare, EV-industry, global supply chain, etc.. Course materials are largely based on the instructor's own field research, various industry research reports, and academic research.

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. These insights facilitate students' understanding of some current debates on investing in China and globalization.

### 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 11
Assignment 2	10%	November 1
Mid-Term Test	30%	November 15
Group research project and presentation	35%	December 5 (slides) December 7 (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 in-class middle-term exam will be conducted to assess your understanding of the content studied in the first eight weeks.

*Group research project* – Each group consists of 4-5 members. You are asked to conduct research with the intention of investment in a certain company/industry and complete a research report. Each team is required to make a very brief presentation in class (approximate 12 minutes and 6-7 slides) to summarize some key points in the report.

### *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 **on the date** of the missed test.
2. Complete the Request for Special Consideration form: <https://uoft.me/RSMConsideration> and provide documentation to support the request, e.g., Absence Declaration from [ACORN](#), medical note etc. 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.

## **Generative AI/ChatGPT**

Students may use generative artificial intelligence tools as they work through the individual assignments and the group project; However, this use must be documented in an appendix for each assignment. The documentation should include what tool(s) were used, how they were used, and how the results from the AI were incorporated into the submitted work.

The use of generative artificial intelligence tools and apps is strictly prohibited in the mid-term.

## **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. 13)	<p><b>(Overview)</b> Chinese Economy and Financial Markets: Overview</p> <p>Shareholder vs. Stakeholder Framework</p>	<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, 2023. Dissecting the Long-term Performance of the Chinese Stock Market. <i>Journal of Finance</i>, forthcoming.</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><b>References:</b> 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. 20)	<p><b>(Institutions I)</b> Information Environment and Earnings Quality in China: Field Evidence</p>	<p>Information Quality in China's Capital Market and the Information Transparency Index, 2019-2022 White Papers, 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, 2023, forthcoming, <i>Journal of Accounting and Economics</i>.</p>	
Class 3 (Sept. 27)	<p><b>(Institutions II)</b> Incentives and Strategic Behavior of Market Participants</p>	<p>Market Efficiency,</p> <p><b>Case: Fraud and Investment Analysis</b></p>	Assignment 1 distributed, due on Oct. 11 in class.
Class 4 (Oct. 4)	<p><b>(Investment I)</b> High Speed Rail Network: Government Decision under Stakeholder Framework</p>	<p>Connected Stakeholders. Costs and Benefits analysis of High Speed Rail Network</p> <p>Papers published in Chinese academic journals on the effect of high-speed trains on local economy and labor market.</p>	
Class 5	<p><b>(Investment II)</b></p>	<p>Various research reports and white papers.</p>	

(Oct. 11)	VC/PE investment and AI Industry	<p>Cong, William, Charles Lee, Yuanyu Qu, and Tao Shen, 2020. Financing Entrepreneurship and Innovation in China”, Foundations and Trends in Entrepreneurship: 16, 1, pp 1–64.</p> <p>Lee Charles, Yuanyu Qu, and Tao Shen, 2022. Gate Fees: The Pervasive Effect of IPO Restrictions on Chinese Equity Markets. Review of Finance, 1–41.</p>	
Class 6 (Oct. 18)	<b>(Investment III)</b> Sustainable Development (I): Theory and Field Evidence on ESG Activities in China	<p>Global regulations and trend Findings from various academic papers</p> <p>Amel-Zadeh, A. and Serafeim, G., 2018. Why and how investors use ESG information: Evidence from a global survey. Financial Analysts Journal, 74(3), pp.87-103.</p> <p>Lu, Hai, Jee-Eun Shin, Emma Wang, 2023. Inside the “Black Box” of Corporate ESG Practice: Field Evidence from China, Working paper.</p>	
Class 7 (Oct. 25)	<b>(Industries I)</b> Industry Policy and New Energy Industry	<p>Chinese Government Carbon Emission policies and its impact on corporate behavior.</p> <ul style="list-style-type: none"> <li>• Carbon Peak 2030 and Carbon Neutrality 2060</li> <li>• Mandated Reporting on ESG activities</li> </ul> <p>Barry Naughton, The Rise of China’s Industry Policy: 1978 to 2020.</p> <p>Hai Lu, Qilin Peng, Jee-Eun Shin, and Luping Yu, Migration of Global Supply Chains: A Real Effect of Mandatory ESG Disclosure, 2022.</p> <p><b>Case: New Energy Supply Chain (Photovoltaic).</b></p>	Assignment 2 distributed, Due on Nov 1 in class.
Class 8 (Nov. 1)	<b>(Industries II):</b> Silver Economy and Healthcare	<p>Hanewald, K., Bateman, H., Fang, H. and Wu, S., 2020. Is there a demand for reverse mortgages in China? Evidence from two online surveys. <i>Journal of Economic Behavior &amp; Organization</i>, 169, pp.19-37.</p>	Group project assignment distributed on November 1.
	<b>Fall Reading Week (November 6 – 10)</b>		
Class 9 (Nov. 15)	<b>Term-Test (Topics covered in Class 1-8)</b>		

Class 10 (Nov. 22)	<b>(Industries III)</b> Digital Economy, Semi-conductor industry	The Future of Digital Innovation in China, McKinsey report, 2021. Research reports on digital economy and semi-conductor industry.	
Class 11 (Nov 29)	<b>(China and World)</b> Global Supply Chain, Cross-listing, and other Current Issues on Debate	Background and development of the joint agreement between PCAOB and CSRC, Implications of Policies on Global Investment  Hai Lu, Qilin Peng, Jee-Eun Shin, and Luping Yu, Migration of Global Supply Chains: A Real Effect of Mandatory ESG Disclosure, 2022.  Randy Beatty, Hai Lu, Wei Luo, Jee-Eun Shin, 2020. Regulatory Oversight and Enforcement: Evidence from Chinese Firms Listed in the US. Working paper.  <b>Case: Joint-ventures in China</b>	
Class 12 (Dec. 6)	<b>Group Research Project</b>	Group Presentations (12 minutes per team)	Slides due on Dec. 5 (a day before presentation), research report due on Dec. 7.

**Please note that the last day you can drop this course without academic penalty is November 6, 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](mailto: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/>