

Necessity and Feasibility of CDR Issuance by Chinese "Unicorn" Enterprises: A Case Study of Xiaomi Group

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Abstract: With China's accession to the WTO in December 2001, China began to speed up the economic pace of opening to the outside world, and the securities market gradually began to follow the pace of internationalization, to achieve integration with the international securities market. Under the current conditions, China can introduce a new financial instrument-Chinese depositary Receipt (CDR) to promote the internationalization of the securities market. Based on this background, this paper takes the Depositary receipt as the research object, firstly introduces the depositary receipt, and then analyzes the necessity of Chinese enterprises to issue CDR. Then, taking Xiaomi Group's application for CDR financing as a specific case study, this paper analyzes the reasons for Xiaomi Group's application from the beginning to the final suspension of CDR issuance, and explores the opportunities and challenges Xiaomi Group will face in issuing CDR. Finally, based on the study of the CDR financing event applied by Xiaomi Group, this paper analyzes the relevant risks of CDR issuance by China's "unicorn" enterprises, and puts forward specific suggestions, in order to contribute to the development of China's securities market and enterprises.

Keywords: American Depository Receipts; Chinese depositary receipts; Unicorns Enterprises; Xiaomi Group.

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INTRODUCTION

At the end of the 20th century, there was an overseas listing craze in Mainland China, in which enterprises with high overall quality and excellent performance, such as Sinopec, CNPC and China Mobile, went to the United States, Hong Kong and other overseas markets for financing. After the Asian financial crisis, because the Hong Kong stock market trading atmosphere, gradually lose the position of the international financial center, but the mainland market has done smoothly, maintaining high p/e ratio, so many had red chip companies listed in Hong Kong have hope to return to the mainland market, some listed on other overseas companies also explored for a long time for the mainland market.

But, according to our country "company law" and "securities law" regulation, in the domestic enterprises must be listed and issue stocks according to the "company law" the regulation of A joint stock limited company established within Chinese territory, and not in overseas or co., LTD, registered and established in Hong Kong, so do not have in stock exchange within the territory of China and the qualification to issue A shares. Therefore, if an overseas company issues Chinese Depositary Receipts (CDRS), they would be able to circumvent company Law and return to the mainland market to raise capital.

In this context, after analyzing the necessity of CDR issuance by Chinese enterprises, this paper

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explores the opportunities and challenges of CDR issuance by Chinese "unicorn" enterprises through a case study, and puts forward corresponding suggestions in order to speed up the return of "unicorn" enterprises to the Chinese mainland market.

1. Overview of Depositary Receipts

Depositary Receipt, or DR, is a negotiable instrument circulated on a country's stock market that represents the securities of a foreign company. Its inventor, J.P. Morgan, was named As DR. Depositary receipts represent shares in a company in general, but they can also act as bonds for certain periods of time.

After World War I, because the United States was far away from the center of the battlefield and its domestic economy was advancing rapidly, they turned their eyes to the post-war Europe. However, due to the complex international communication at that time, the lack of necessary contact tools, the circulation of funds was hindered. Under this background, American Depositary Receipts (ADR) came into being. J. p. Morgan in 1927 in order to make the investors more convenient invested in shares of British department store Selma Beveridge, because of the separated by an ocean, U.S. investors to convenient to put money into the UK, so he set up the depositary receipts, through this certificate, hold and overseas investors can transfer the shares of the company's shares corresponding to the bank, Again and the bank will be distributed to the investors the ADR, as a result of the ADR marketability, the membership countries unnecessarily allows the foreign investors to the stock sell-off, flying across the Atlantic for the foreign purchase also don't have to, you can directly in the American stock exchange, whenever Selma Fritsch company major matters, such as a rights issue, share out bonus, British institutions that issue ADRs will help investors perform corresponding operations, which reduces a lot of marginal costs for investors. Since then, Depositary receipts have developed rapidly.

After the emergence of American Depositary Receipts (ADR), various countries have launched a series of depositary receipts in line with their national conditions one after another, such as international Depositary Receipts (IDR), global depositary Receipts (GDR) and the Chinese Depositary receipts (CDR) in the embryonic stage. CDR -- Chinese Depositary Receipt (CDR) norm refers to the transferable securities based on part of the issued and listed shares of the listed companies in overseas (including Hong Kong, China), which shall be issued in written form by the issuer in accordance with the basic issuing procedures of DR

and in combination with the core socialist values, issuing underwritten by domestic and foreign financial institutions.

2. The Necessity for Chinese Unicorn Enterprises to Issue CDR

The concept of unicorn industry originated from Aileen Lee, the founder of Cowboy Ventures, and refers to an enterprise that can grow to a market value of more than a certain amount in a short period of time by relying on its own unique core technology or business model.

The evaluation criteria for unicorns are mainly time and valuation. According to the time points, those who reach the unicorn standard within 2 years are called newborn unicorns, and those who reach the unicorn standard after 10 years will quit the ranks of unicorns. According to the valuation price, those with less than \$1 billion but potential development are potential unicorns, those with an estimated value between \$1 billion and \$10 billion are general unicorns, and those with an estimated value of more than \$10 billion are super unicorns.

2.1 Background of CDR Issuance by Chinese Unicorn Enterprises

China's unicorns mainly focus on the big entertainment industry (livestream and star entertainment), e-commerce and electronic platforms, with 18 each accounting for 14.17%. CR8 (industry concentration) is less than 40, the industry is still in the competitive type, transaction costs are low. The input-output ratio is an indicator reflecting the investment effect and represents the relationship between the invested capital and the value created. Unicorn enterprises mostly use the way of ground promotion to convey goods, which has low cost and quick effect. It eliminates the intermediate cost of advertising and traffic flow, quickly occupies the market, overcomes traditional enterprises and creates high returns. After the CDR announcement, unicorns will become the focus of domestic capital market services at the policy level, and the return channel of Chinese concept stocks and the green channel of unicorn a-share listing will be opened one after another. At the same time, the opening of domestic listing channels also urges Hong Kong Stock Exchange and New York Stock Exchange to open the door of financing for unicorn enterprises, making the financing channels of enterprises change with each passing day.

Most of China's unicorns take a high proportion of R&D and pursue their own unique core competitiveness as the current short-term goal. Take Alibaba and Baidu for example, the R&D proportion of these two enterprises both accounts for more than 10% of the total operating revenue,

much higher than overseas technology giants Such as Google and Apple. Enterprises after entering the market are mostly used in a variety of incentives to occupy market share, to quickly capture the market with financiers money flow, rounds of financing, capital injection force drops rapidly occupy the dominant market position, water volume reached 2017 in 250 to \$27 billion, more than 70% growth, but debt is still as high as 3.7 billion, There have been 20 rounds of financing, but still had to rely on Tencent to survive. Chinese enterprises put the Party first and firmly rely on the party's decisions. Unicorns around the country are growing rapidly with the support of government policies. After April 2018, the capital management issued new regulations, focusing on how to deleverage, break the rigid exchange rate and eliminate capital pools, thus promoting the increasingly strict financial regulation. Moreover, with several rounds of negotiations between China and the United States, the international situation is highly variable, and the introduction of the new tax law in 2019, most enterprises fall into the winter of capital. Enterprises need to go through the growth of angels, A, B, C round of financing, in the subsequent will continue to accept again when insufficient funds financing, in this mode, the enterprise internal equity can appear many complex, BAT in home environment is usually A sign of A faction, Ali, used to hold after injection for the management of the company, Tencent is allowing the team to grow, But key decisions are controlled by the investors.

2.2 The Benefits of CDR Issuance by Chinese Unicorn Enterprises

Compared with stock IPO, CDR is just embryonic and has a huge future prospect, and the current policies and regulations give CDR a huge space for free activities. After the release of the Decision to modify the IPO Method, the performance requirements for issuing CDR are no different from those for general stock IPO, but the nature of CDR has not changed in essence. It can still be compatible with the laws of different registration places. As of January 7, 2019, the domestic IPO method still requires IPO companies to meet the clear shareholding structure, do not accept different rights of the same share, VIE structure, etc. However, CDR can better allow the underlying stock to have such A structure under the condition of legal compatibility, so that the stock can be listed in the A-share market in the form of CDR.

Because CDRS allow companies to raise capital in two places at the same time, their sources of financing are wider. Compared with a normal IPO, CDRS allow companies to list overseas and then return as CDRS. In this case, companies can raise capital both at home and abroad at the same time to

increase the stability of their financial structure and increase their options.

After issuing CDRS, the share price will be closer to the full market. As DR enables the company's equity to be traded in two markets at the same time, its price will be determined by the two markets at the same time. Therefore, when systemic risk occurs in one capital market, the fair value of the company can be described by the price of the other market. Generally speaking, there are some barriers to capital flow between the two places, but after subtracting the cost of arbitrage, there will not be a big difference in the price of the two places, and the backflow caused by arbitrage will also make the stock price more stable.

Compared to IPO, CDRS will have a faster and more efficient approval pipeline. The issuing subjects of CDR are mainly "unicorns" and "new four enterprises" defined by the state, and the scope of ENTERPRISES involved in IPO is wider than that of CDR. Combined with policy bias, THE approval efficiency of CDR will be higher.

3. Xiaomi Group's Application for CDR Financing

Launched in 2010 with the product concept of "Born for fever", Xiaomi Group is a mobile Internet company focusing on the research and development of intelligent hardware and electronic products, as well as an innovative technology enterprise focusing on the construction of high-end smart phones, Internet TV and smart home ecological chain. At present, in accordance with the corporate vision of "let everyone enjoy the fun of technology", Xiaomi Group has built the world's largest consumer IOT platform, connecting more than 100 million smart devices, and the monthly active population of MIUI reaches 190 million. In addition, there are nearly 400 investment companies in MIUI, covering intelligent hardware, Internet finance, medical and health care, education and other fields. Therefore, it is representative to apply for CDR financing research by Xiaomi Group.

3.1 Reason Analysis of Xiaomi Group's Application for Issuing CDR

With China's accession to the WTO, the pace of China's economic opening to the outside world is accelerating, while the Chinese securities market is also moving towards the open international pattern. Gradually realize the integration of domestic market and international market. The internationalization of security market mainly includes two aspects: One is "go out", it is China's enterprises to listed abroad, realize the internationalization of financing channels, and implement financing in this way is represented in July 1993 American depositary receipts (ADRS) listed on the New York stock

exchange, Shanghai petrochemical, this approach also makes Chinese companies in the securities market for the first time successful appearance. The second is "introduction", that is, foreign (overseas) enterprises to China to raise funds. This leads to a term -- Chinese depositary Receipt (CDR), which is also a way for Chinese "unicorn" enterprises to return to the local market in 2018 under the environment of strong macroeconomic growth and high profit growth in the new era. Xiaomi Group is the leader of Chinese enterprises in planning to apply for CDR return. And from the perspective of the company, the reasons for Xiaomi group's application for issuing CDR are analyzed as follows:

3.1.1 Enhance the popularity of Xiaomi Group in the capital market

In the modern market economy, a truly modern enterprise must pay attention to enhance its own visibility and establish its own good corporate image, corporate visibility and corporate image is like the intangible assets and precious wealth of the enterprise, its role and value is no less than the enterprise's traditional human, financial and material resources. From the attention of international large enterprises such as Apple, Toyota and BMW on their own popularity and image, it can be shown that enterprises without popularity can hardly win in the competition even if they have superior quality products and customer service with full sense of experience. However, if Xiaomi Group applies for the issuance of CDR, it will increase its exposure in the capital market and attract more securities analysts to follow and study Xiaomi, which will also improve the liquidity of the company and is of great significance to enhance the popularity of Xiaomi Group.

3.1.2 Enhance the investor base and enhance the stock value of Xiaomi Group

As a new and hot financial instrument, the biggest characteristic of CDR is to make the underlying stock market and depositary receipt market have the same connectivity. Therefore, the issuance of CDR by Xiaomi Group can further expand the basic stock market, expand the base of shareholders internationally, change the investor structure of the company itself, and enhance the liquidity of the basic stock, enhance the value of the stock in the market, and maintain the confidence of partners and investors in Xiaomi Group.

3.1.3 Reduce financing costs of Xiaomi Group

There are many ways and channels for companies to raise funds, but compared with CDR, most of them are limited by China's trading system, customs, language, foreign exchange management and other restrictions on foreign companies. On the contrary, for CDR, using this financial instrument to

finance funds can simplify the financing process, reduce settlement and currency exchange risks, and reduce the cost of raising funds. Compared with other financing methods, it is a low-cost financing method.

3.1.4 Supplement and improve the business weaknesses and technology research and development of Xiaomi Group

If Xiaomi Group adopts CDR as a low-cost financing method to raise funds, it will obtain more funds to supplement or improve its own business shortcomings. Take smart phone business as an example: 5G communication era is coming, which will not only bring the increase of Internet access rate, but also new application scenarios will emerge. 5g technology application will become more diverse, the Internet of things, such as unmanned technology breakthrough are waiting for the basis of 5g application support, and so on in the smartphone business, millet group can use to raise money, strengthen the 5 g technology application technology research and development, on its own platform to build products popular AI for smartphone brands also ahead. Take the Internet financial business as an example: Xiaomi has developed from a developer of MIUI ROM and a manufacturer of smart phones to a national brand of consumer electronics, a founder of smart home ecology and a distribution platform of mobile Internet content and services. Start from payment, and then enter the loan field with the highest profit. Meanwhile, take into account the flow-consuming business such as insurance commission sales and financial management, and gradually extend to the upstream of the industrial chain to customize products for users. However, MI Finance has limited users, late entry time, weak cognition in the financial field, and lack of business environment and transaction ecology. The scene of MI Finance is still lacking and lacking in stickiness. Therefore, Xiaomi Group can also arrange to raise funds to strengthen the publicity of Internet finance business, increase the number of users or enhance the cognition of the financial field to supplement and improve the shortcomings of Internet finance business, so as to enhance the stickiness and richness of Xiaomi financial scene.

3.2 Process of Applying for CDR by Xiaomi Group

As the first company to take the initiative, Xiaomi Group has experienced many twists and turns in the process from applying for the issuance of CDR to suspending the issuance of CDR in 2018. On May 3, Xiaomi submitted its listing application to the Hong Kong Stock Exchange, becoming the first Mainland Company to go public in Hong Kong under the structure of "same share with different rights". On June 6, China Securities Regulatory Commission

(CSRC) issued "Depository Receipt Issuance and Trading Management Method" (trial); On June 7, Xiaomi submitted the application for CDR issuance for the first time. On June 14, China Securities Regulatory Commission (CSRC) announced its initial

feedback on Xiaomi's IPO prospectus. On June 19, Xiaomi officially posted an application document to the CSRC, deciding to implement the listing plan in Hong Kong and in China step by step, and listing in China by issuing CDR at an appropriate time.

Table 1: Process of Application for CDR by Xiaomi Group

Time	The event
May 3, 2018	Xiaomi filed to list on the Hong Kong Stock Exchange
June 6, 2018	China Securities Regulatory Commission (CSRC) issued "Management Method for Issuance and Trading of Depository Receipts" (Trial)
June 7, 2018	Xiaomi submitted its first application for CDR distribution
June 14, 2018	The CSRC announced the initial feedback on Xiaomi's IPO prospectus
June 19, 2018	Xiaomi officially announced the release of CDR at an appropriate time

3.3 Reasons for the Suspension of Application for CDR by Xiaomi Group

On June 19, 2018, as Xiaomi officially posted the application documents to the China Securities Regulatory Commission, it decided to implement the listing plan in Hong Kong and in China step by step, and listed in China by issuing CDR at an appropriate time. This means that Xiaomi, which was highly expected by the public, did not successfully launch the first round of CDR. The application of MIUI Lightning and its withdrawal make people feel confused, but from the perspective of the CSRC and Xiaomi Group itself, the reasons for its delay in issuing CDR are as follows:

3.3.1 CSRC 84 questions related to Xiaomi's core issues

On June 14, China Securities Regulatory Commission (CSRC) published "Feedback on application document of Xiaomi Group's Co-Issuance of Depository Receipts", which raised 84 questions in the document and required Xiaomi to make written responses to these 84 questions within 30 days. The 84 questions cover a wide range of business, including Xiaomi's business situation, hardware sales, related enterprises, advertising business, game business, Internet finance and other businesses. Question 83: In 2015 and 2016, the company's overall revenue was stable, and in 2017, it rose sharply. From 2015 to 2017, the company's gross profit margin increased significantly year by year. At the same time, the company's inventory balance and accounts receivable balance rose sharply, far outpacing revenue growth. Please explain the reasons and reasonableness. This question the CSRC's intention is to millet its various business inventory, raw materials, marketing, sales, and its cost and profit with accounts such as clear, settled on these data to reflect the profitability of the business is real, between each quarter year-on-year fluctuations can get reasonable explanation. If the group answers these questions, it will reveal the true sales and profits of Xiaomi's various businesses, and the value of them. Take the first question in the

feedback as an example. The first question mentioned that the company has not obtained some Internet business qualifications. According to the prospectus, the company has not yet obtained the game and online reading "network publishing service license", "Information network broadcast audio-visual program license", "Internet news information service license". The first question involves the "millet game" and "more reading" the APP, "millet game" is in the charge of millet and entertainment, and millet to also have the APP "read more" trademark ownership, but actually the lack of the three licenses, which are mentioned in the first question which illustrates the standardization of millet and related problems. Therefore, for Xiaomi, if it answered all the questions from CSRC, it would be very embarrassing and hinder Xiaomi's IPO valuation in Hong Kong. Therefore, Xiaomi chose to submit the application for delaying the issuance of CDR to CSRC.

3.3.2 Xiaomi's valuation is questionable

From the perspective of China Securities Regulatory Commission (CSRC), if the valuation and issue price are set at an unreasonable high level, it may lead to a series of problems, such as a broken offer after listing, which will seriously affect the image of the first batch of CDR pilot enterprises, damage the interests of investors and frustrate all parties' confidence in CDR issuance. Xiaomi, as the first "unicorn", is likely to be warmly sought after by the market. If the high valuation and pricing of Hong Kong stocks lead to a high price of CDR, it will suffer a high opening and low price after listing, which will have an adverse impact on all parties in the market. Not only that, the CSRC also hope that the issue of CDR sequence can be easy to difficult, after first issue first BAT (Tencent, Alibaba, Baidu) that have been listed abroad for a period of time and stock prices have fully traded in the market and the game of the enterprises, and make use of external market share market price reference to the issue of the CDR is the simplest pattern. However, it is difficult for Xiaomi to list H shares and CDR simultaneously

through lightning application, so the best choice is to accumulate certain experience in the market before issuing CDR, which is also the reason why Xiaomi submitted to CSRC to postpone the ISSUANCE of CDR.

3.4 Opportunities and Challenges Xiaomi Group Will Face When Issuing CDR

In view of the current market, Xiaomi is A rare technology company with hardware and Internet strength in A stock market. If Xiaomi successfully launches the first CDR as planned, it will greatly boost Xiaomi Group. However, Xiaomi will also face certain opportunities and challenges in releasing CDR at the right time:

3.4.1 Help the securities market to conform to international standards and improve the overall quality of enterprises

CDR is refers to the listing in overseas (including Hong Kong, China) has issued the listed company will be part of the shares in A local depository bank, by the depository bank within the territory of China, in the domestic a-share market listed and traded in renminbi settlement, for domestic investors to buy and sell the investment certificate, so as to realize the remote locations and purchase of shares. The impact of Xiaomi's application for CDR to return to China will likely rebuild the valuation system, accelerate the removal of the false and the true of domestic A-share stocks, make the future capital market supply more balanced, and help the domestic securities market to integrate with the international securities market. Xiaomi's application for CDR as A leader will also drive more high-quality and innovative companies to return or enter the A-share market, which will help improve the overall quality of listed companies, drive the common development and growth of upstream and downstream enterprises through industrial linkage, and constantly optimize the industrial structure of the Chinese market. Therefore, it is an opportunity for Xiaomi to accelerate the integration of domestic securities market and international securities market, improve enterprise quality and optimize the industrial structure of capital market.

3.4.2 CDR regression may cause "blood drawing effect" on A-shares

"Drawing blood effect" is a metaphor. When new shares are issued, a large amount of funds will flow out of the current market to buy new shares, resulting in a decrease in the stock of funds in the secondary market and a corresponding decline in the market index. At present domestic stock market is pale, capital outflow is serious, if issued millet as planned implementation of CDR, it not only can produce greater liquidity shocks on the secondary

market, at the same time significantly extrusion has been in the queue listed companies financing scale, so the domestic stock market can withstand the CDR return of millet, the millet group also faces a challenge.

4. Related Risks and Suggestions

4.1 Premium Risk and Pricing of CDR Issued By Unicorn Enterprises

At present, the macroeconomic situation of China's securities market is grim, and some economic data are significantly lower than market expectations. The market is in the initial stage of liquidity release, but the total amount of liquidity released is limited, and the overall stock index shows a downward trend. For unicorns, which are not short of popularity and influence, the level of valuation premium and the quality of market environment are more worthy of concern. Poor market conditions tend to reduce the valuation premium level of new issues. Although unicorns have certain uniqueness and growth, in view of the large financing scale of some CDR enterprises, the diverting speed of stock capital in the market will be accelerated, and the issuance process of large IPO will undoubtedly further impact the investment confidence of the market. Therefore, as CDR enterprises, they do not want to issue CDR under the background of extremely depressed market environment. Once they choose to issue CDR in a depressed market environment, it is easy to lead to a sudden decrease in stock valuation premium, and there may even be a risk of breaking after listing.

Timing is especially important for unicorns. With the acceleration of the return of unicorn enterprises in the future, the valuation premium and hype enthusiasm of unicorn enterprises in the future may cool down, which will further compress the valuation premium level of unicorn enterprises that will be issued and listed in the future. Therefore, unicorns that issue CDR projects pay more attention to the choice of market environment, and the quality of market environment and the level of pricing, to a certain extent, affect the premium level of unicorns in the future, and even the expansion demand of enterprises in the future.

4.2 Liquidity Risk of Unicorn Enterprises

When unicorns return to the A-share market by issuing CDR, on the one hand, they can bypass certain restrictions, optimize their capital structure and meet their financing needs; on the other hand, unicorns will be more affected by liquidity risks in the securities market. When the external environment, affect the market optimistic positive information dominance, investors tend to have confidence in the future, the type of risk appetite, liquidity risk is small, but when market

participants lose faith in the future price expectations, market participants will be more risk-averse, appear rich effect and contagion effect, market participants will be more risk-averse, There is even a "herd mentality".

Compared with other listed companies, unicorns have a shorter established life and a weaker ability to resist risks. In the face of the fluctuation of the stock market, the resistance is weak. Therefore, they should take advantage of their own advantages, expand their market share through higher popularity and brand effect, and keep their competitiveness and sustainable development ability.

5. Normative Suggestions on the Issuance Of CDRS By Chinese Unicorn Enterprises

5.1 The Legality and Compliance of Business Operation Qualifications

At present, one of the main problems exposed by China's unicorns is the inflated valuation of enterprises while their profitability is questioned, and they cannot generate healthy cash flow inside the enterprises. In order to overcome this problem, unicorns expand their core businesses horizontally by relying on brand awareness and establish diversified product systems with tree structure. On the one hand, they improve their valuation and on the other hand, they improve their profitability with the help of affiliated businesses. However, some unicorns have not actually obtained some business qualifications for the Internet, but have avoided applying for business qualifications by changing concepts.

China Securities Regulatory Commission (CSRC) maintains efficient review and strict compliance on the issuance of CDR, and has strict review on the legal compliance of business qualifications, and does not allow any "edge ball". For Chinese unicorn enterprises, they must make detailed and comprehensive disclosure of their main businesses in the CDR application issuance documents, timely apply for business qualifications, confirm whether there is risk of suspension of some businesses for rectification, and evaluate the impact of suspension of some businesses on the company's operating capacity and profitability.

5.2 Internal Equity Structure and Peer Competition

5.2.1 The internal equity structure of enterprises

Unicorn enterprise shareholding structure is relatively complex, some unicorn enterprises (millet, the ant gold, iQIYI, etc.) USES the "double ownership structure", in order to bypass the restrictions on the company supervision, can with less equity to keep for control of the company and

maintain larger work space, but the drawback is that could lead to chaos in the valuation system and regulatory difficulty of ascension. A-share stock market is based on the same shares with the same rights, the same interest and the same price. The mismatch between shares and power will shake the stock market.

In applying for CDR issuance documents, enterprises must fully disclose the situation of "dual-class share structure", prove their investment value and development space through financial status, business level and other aspects, and prove that CDR financing is not for the purpose of collecting money. Financing enables enterprises to achieve better development and increase net income per share to repay investors.

5.2.2 The possibility of intra-enterprise competition

Under the background of relatively complex ownership structure, there is the possibility of horizontal competition between the company's business and its controlling shareholders. Peer competition inevitably makes related enterprises unable to compete on an equal footing in a perfectly competitive market environment. Controlling shareholders can use their voting rights to decide the major operation of enterprises. CSRC will pay close attention to whether there is peer competition in the audit.

For unicorns, take steps in advance to prevent this. It is the most common and thorough way to solve the competition problem of listed companies by restructuring to avoid the competition. The restructured company can increase earnings per share. This approach not only completely solves the problem of operational independence and transparency, but also further enhances the industry competitiveness of listed companies through the synergistic effect brought by asset integration.

5.3 Intellectual Property Rights and Related Patents of the Core Business or Products of the Enterprise

It is possible for unicorn enterprises to carry out in-depth research and development with the help of others' patents in the core technologies of their products. Therefore, there are legal disputes over patent royalties and related issues, including whether the increase of patent fees will affect the profitability of enterprises.(Refer to Article 9 of CSRC's feedback on Xiaomi's CDR application to point out whether MIUI operating system developed by Xiaomi is based on Android operating system, whether there are legal disputes, whether the

company continues to develop and use MIUI system after its use of open source Android system is interrupted, and relevant risk tips).

For relevant problems, enterprises should make corresponding risk control and coping strategies. While relying on others' patents for in-depth development, enterprises should also keep investment in independent scientific research, acquire independent intellectual property rights as soon as possible, and improve their competitiveness and sustainable development ability.

CONCLUSION

Based on the analysis of Xiaomi group's application to issue CDR, this paper discusses the necessity and feasibility of Chinese unicorn enterprises to issue CDR. In addition, based on the study of Xiaomi group's application for CDR financing event, this paper analyzes the related risks of CDR issuance by China's "unicorn" enterprises: premium risk and liquidity risk. It also puts forward normative suggestions on issuing CDR in order to contribute to the development of China's securities market and multi-channel financing of enterprises.

Due to the limitation of research capacity, this paper only takes Xiaomi Group as an example for analysis and extends to the field of unicorns, but has not studied the pricing mechanism, operation mechanism and implementation effect evaluation of CDR. All the above aspects will become important factors affecting the return of unicorn enterprises to the domestic securities market. It is hoped that a more comprehensive study will be carried out in the future.

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