

US-listed Chinese shares slump in wake of Beijing crackdown

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Shares of Didi Chuxing plunged after Beijing widened its crackdown on its embattled technology.

Shares of Didi Chuxing plunged Tuesday after Beijing required app stores to pull the Chinese ride-hailing program as part of a widening

crackdown on technology companies.

Also falling sharply were Full Truck Alliance and Kanzhun, two other Chinese companies that recently began trading in New York, but now face Chinese government probes.

More established US-listed Chinese companies, such as Alibaba and JD.com, also fell moderately, suggesting broad investor unease with Beijing's more aggressive posture.

"You could say that the last decade has been regulatory-free for the Chinese companies," said Winston Ma, an adjunct professor at New York University. "Now they are entering into a new era of regulation."

Ma, author of "The Digital War: How China's Tech Power Shapes the Future of AI, Blockchain and Cyberspace," said Beijing's efforts are driven by a an effort to manage the vast amounts of consumer data controlled by the companies, as well as a desire to reassert oversight of the companies.

Adding to that is a "palpable sense that a lot of these firms have grown very, very quickly and have gotten their hands into lots of different business lines," said Nicholas Borst, director of China research at Seafarer Capital.

Authorities have realized that many of these firms are big and sprawling, and that "there may not be the same level of controls and safeguards that regulators would like to see," Borst said.

China's Uber

Dubbed China's Uber, Didi was founded just nine years ago by former Alibaba executive Cheng Wei. It has gone on to dominate the country's

ride-hailing market after winning a costly turf war against the US titan in 2016 and taking over Uber's local unit.

Didi went public last week after raising \$4.4 billion in an initial public offering.

However, shares plunged nearly 20 percent Tuesday to \$12.59, below the \$14 of its IPO price.

The Cyberspace Administration of China on Sunday ordered the removal of the Didi app after investigations found its user data collection in "serious violation" of regulations.

The authorities also cited national security concerns in the probe, an unusual move against a domestic tech firm. However, there were few details on the investigation or specifics of Didi's alleged violations.

Didi has pledged to rectify any problems, but said the takedown "may have an adverse impact on its revenue in China."

The Chinese body also took action against Full Truck Alliance—a merger between truck-hailing platforms Yunmanman and Huochebang—and Kanzhun, which owns online recruitment platform Boss Zhipin.

The three platforms have been told to stop new user registrations during the investigation "to prevent [security risks](#) to national data, safeguard national security and protect public interest," the Cyberspace Administration of China (CAC) said.

The actions against the three companies come as China moved Tuesday to tighten rules on companies seeking to sell shares overseas, saying there needs to be more extensive cooperation between international

regulators on data security, The Wall Street Journal reported.

Ma predicted the shift by Beijing, along with moves by Washington to require more disclosure from Chinese companies, would slow down the pace of Chinese stock premieres in New York.

In the first half of 2021, 36 Chinese companies raised \$12.6 billion, according to Dealogic.

But Steve Markscheid, who advises Chinese companies on going public and is a board member of Chinese publicly traded companies, predicted some deals would still go through.

"What's driving this is investor demand," Markscheid said. "China's economy is growing more rapidly than other large economies. Investors want access to that. I don't see that going away."

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