

Regarding the Valuation Differences of the Same Stock in Different Markets

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Abstract. This article focuses on the valuation performance of Semiconductor Manufacturing International Corporation in the A-share and Hong Kong Stock Exchange markets, systematically reviewing and analyzing relevant research findings. The A-share market is relatively closed, with a large investor base predominantly composed of individuals, abundant capital, and investors who sometimes place greater emphasis on future expectations and concept speculation in stock valuation. Therefore, the valuation of some stocks in the A-share market may be higher. The Hong Kong Stock Exchange market is dominated by institutional investors, who possess more professional research and analytical capabilities, make relatively more rational and mature investment decisions, and pay closer attention to the fundamentals and long-term value of companies, resulting in a more reasonable valuation of stocks. By elaborating on the differences in valuation indicators such as stock price trends, price-to-earnings ratio, and price-to-book ratio of Semiconductor Manufacturing International Corporation in the two markets, this article deeply analyzes the influencing factors behind investor structure, market liquidity, market maturity and internationalization, and industry development expectations. The aim is to comprehensively present the valuation characteristics of Semiconductor Manufacturing International Corporation in different capital markets and provide a reference for subsequent in-depth research and investment decisions.

Keywords: A-share market, Hong Kong stock market, valuation difference.

1. Introduction

As a key enterprise in the semiconductor industry, Semiconductor Manufacturing International Corporation (SMIC) is listed on both the A-share Science and Technology Innovation Board and the Hong Kong Stock Exchange, providing a typical sample for studying the valuation differences of the same enterprise in different capital markets. There are significant differences in investor structure, trading rules, market maturity, and other aspects among different capital markets. How these differences affect the valuation of SMIC is a question of great theoretical and practical significance. The semiconductor industry plays an important role in global technological competition and national strategic layout, and the development of SMIC has attracted much attention. The valuation differences between A-shares and Hong Kong stocks not only reflect the capital market's divergence in judging enterprise value but also provide an entry point for understanding the pricing mechanisms of different markets. It is a key entry point for understanding the operating logic of the two types of markets. From the table information, it is not simply a list of rules, but through the form of "classification and comparison", it highlights the underlying design differences between the two markets - for example, the combination of "T+1 trading + price limit" rules in A-shares corresponds to the risk prevention and control orientation of a market dominated by individual investors; while "T+0 trading + no price limit" in Hong Kong stocks reflects the pursuit of trading flexibility and market-oriented pricing by an institution-dominated market.

This study has important theoretical significance and practical value. At the theoretical level, by focusing on the valuation performance of the same enterprise in different listing locations, it is possible to effectively control the fundamental variables of the enterprise, thereby more clearly revealing the impact of market mechanisms, investor behavior, and institutional environment on asset pricing, enriching cross market valuation comparisons and behavioral finance related research, and

providing new empirical evidence for differentiated development of capital markets in the context of globalization.

At the practical level, the research results can provide reference for investors to engage in cross market asset allocation and risk management. For domestic investors, they can view the valuation difference between the A-share and Hong Kong stock markets more rationally and optimize their investment strategies; For international investors, it helps to understand the valuation drivers and potential opportunities and risks unique to the A-share market. In addition, the research results also have guiding significance for the value management, financing decisions, and information disclosure of dual listed companies such as semiconductor manufacturing international companies, and provide policy insights for regulatory agencies to improve market mechanisms, promote market interconnectivity and healthy development. Ultimately, by comprehensively presenting the valuation characteristics of different capital markets, this study aims to promote the dissemination of effective pricing and value investment concepts, improve resource allocation efficiency, and promote the stable operation of financial markets.

2. Manifestation of Valuation Differences between SMIC's A-shares and Hong Kong Stocks

Table 1. A shares and Hong Kong Stocks

	A shares	Hong Kong Stocks
A shares	T+1 trading: stocks purchased on the same day can only be sold the next day; Price limit: $\pm 10\%$ for ordinary stocks, $\pm 5\%$ for ST stocks, and $\pm 44\%$ on the first day of listing for newly listed stocks;	T+0 trading: stocks purchased on the same day can be sold on the same day, with no limit on the number of times; No price limit: Price fluctuations are completely determined by the market (extreme situations may trigger temporary trading halts);
Settlement system	Funds and stock settlement are completed on the second working day after the transaction (T+1).	Settlement will be completed on the second working day after the transaction (T+2) (in line with the international market).
Composition of investment	Primarily composed of individual investors, with a long-term proportion of individual trading exceeding 60%, their investment style leans towards short-term trading, and they are easily influenced by market sentiment and policy hotspots, showing a high enthusiasm for speculation in growth stocks and thematic stocks.	Dominated by institutional investors, with institutional trading accounting for over 60%, the investment style places greater emphasis on fundamentals (such as cash flow, ROE), preferring blue-chip stocks with high dividends and low valuations. The acceptance of theme speculation is low, and valuations tend to be more rational.
Tax policy	Individual investors are exempt from capital gains tax when buying and selling stocks, and dividends are subject to differentiated tax rates based on the duration of shareholding (20% for less than 1 month, 10% for 1-12 months, and 5% for more than 1 year).	There is no capital gains tax, but non-local residents (such as mainland investors) are subject to a 10% withholding tax on dividends (which can be automatically withheld through the Hong Kong Stock Connect investment).

Table 1, as the core data carrier for comparing differences in the full text, clearly presents the basic rule differences in three core dimensions: trading system, settlement system, and investment structure between A-shares and Hong Kong stocks. Meanwhile, specific data such as "Declaring Unit" and "Investor Proportion" in the table provide a direct basis for subsequent analysis of market

style differences. For example, the unified standard of "100 shares per lot" in A-shares lowers the entry threshold for individual investors, which logically echoes the "individual trading proportion exceeding 60%" stated in the table 1; while the setting of "the number of shares per lot is not fixed" in Hong Kong stocks is more in line with the needs of institutional large-value trading, confirming its "institution-dominated" market structure.

2.1. Difference in Stock Price Trends

Numerous studies have shown that the A-share price of Semiconductor Manufacturing International Corporation has been consistently higher than its Hong Kong Stock Exchange (HKEX) price. As exemplified by Li Xiaoming, research has found that over the past few years, A-share prices have exhibited more volatile movements, being sensitive to industry policies and market sentiment [1]. When favorable policies are issued in the semiconductor industry, A-share prices often rise rapidly, with a significantly higher increase than HKEX prices. Conversely, when the market experiences an overall downturn or negative news emerges in the industry, A-share prices also decline significantly. HKEX prices, on the other hand, tend to be relatively stable with smaller fluctuations, better reflecting the steady changes in corporate fundamentals. Figures 1 and Figure 2 respectively, show the opening prices of SMIC's A-shares and HKEX prices.

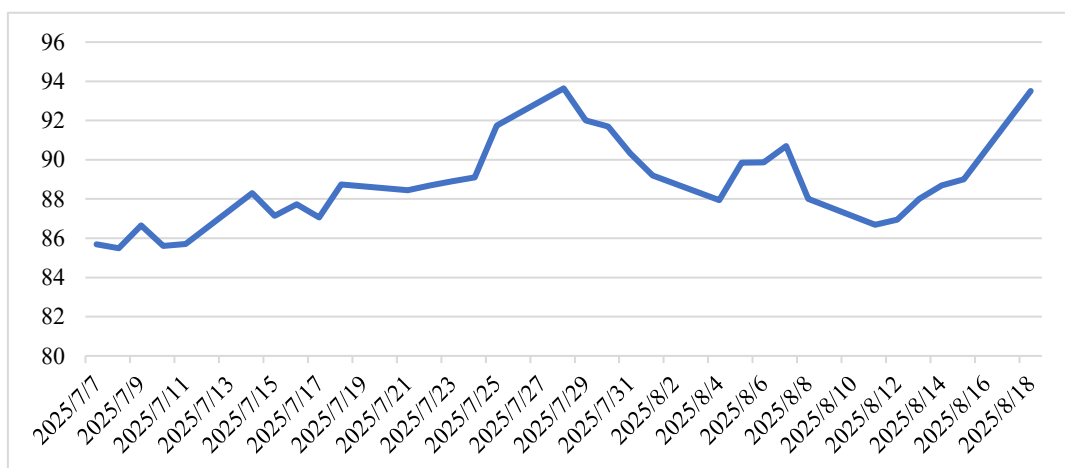


Figure 1. Opening price of SMIC A shares (yuan) (Picture credit: Original)

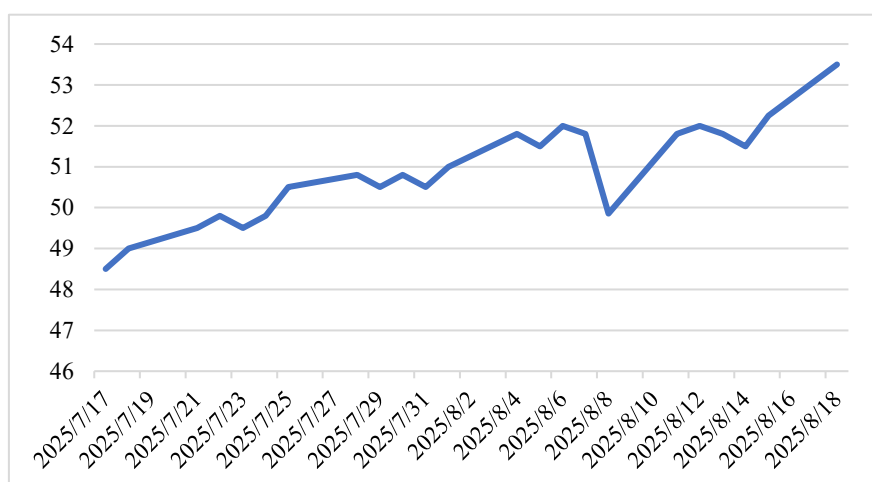


Figure 2. Opening price of SMIC in Hong Kong stock market (HK\$) (Picture credit: Original)

2.2. Price-to-Earnings Ratio Difference

Taking the latest data from August 2025 as an example, the trailing multiple (TTM) of Semiconductor Manufacturing International Corporation A-shares is approximately 38.5 times, while the TTM of Hong Kong stocks is only 23.2 times, with an A-share premium of up to 66%. This

difference is not a short-term phenomenon. In her empirical study on the differences in investor behavior between A-shares and Hong Kong stocks based on data from 2018 to 2022, Wang Hong found that the average P/E ratio of the semiconductor sector in A-shares (45.7 times) was 61.5% higher than that of Hong Kong stocks (28.3 times). As the industry leader, SMIC's valuation differentiation is particularly typical [2].

A-share market: Dominated by domestic individual investors (accounting for about 40%), investment decisions are easily influenced by policy orientation (such as domestic substitution support policies for semiconductors) and market sentiment. Wang Hong pointed out that A-share investors assign higher valuation weights to "expectations of technological breakthroughs" and "strategic scarcity" of Semiconductor Manufacturing International Corporation, and are willing to pay a premium for potential long-term growth, even if current profits have not yet been fully realized.

Hong Kong stock market: Predominated by foreign institutional investors (accounting for over 70%), the investment logic places greater emphasis on short-term profit certainty and global industry benchmarking. The A-share market boasts abundant liquidity (with an average daily trading volume approximately three times that of the Hong Kong stock market) and lacks an effective short-selling mechanism, making it easier for short-term speculative funds to push up stock prices. Conversely, the Hong Kong stock market allows T+0 trading and short selling, resulting in higher efficiency in price discovery and relatively fewer valuation bubbles.

2.3. The Underlying Meaning of Data Discrepancies

The significant divergence in the price-earnings ratios of Semiconductor Manufacturing International Corporation in the A-share and H-share markets essentially reflects the divergence in value perception of the two markets towards the "same asset". The high price-earnings ratio of A-shares reflects domestic investors' strategic confidence in the autonomy and controllability of the semiconductor industry, as well as their optimistic expectations for SMIC's breakthroughs in advanced manufacturing processes (such as the N+1 process) and capacity expansion.

The low price-to-earnings (P/E) ratio of Hong Kong stocks reflects overseas capital's concerns about geopolitical risks (such as US technology restrictions) and industry cyclical fluctuations (declining global chip demand), emphasizing the valuation safety margin based on current profits and cash flow. This difference also provides theoretical space for cross-market arbitrage, but due to market segmentation (such as foreign exchange controls under capital accounts) and liquidity differences between A-shares and Hong Kong stocks, actual arbitrage is more difficult. Wang Wanghong's research shows that the difference in P/E ratios between A-shares and H-shares is the result of the combined effects of investor structure, risk preference, and market mechanisms [2]. For Semiconductor Manufacturing International Corporation, the high valuation of A-shares is both a recognition of its strategic position and may also imply a certain sentiment premium; while the low valuation of H-shares is closer to the rational pricing logic of the international market. Investors need to comprehensively assess the valuation rationality of the two markets based on their own risk tolerance. In terms of the price-to-book (P/B) ratio, A-shares are also higher than H-shares. Zhang Feng and Zhao Liang's empirical research shows that the A-share market gives a higher valuation to SMIC's asset quality and future development potential, and the P/B ratio of A-shares has been higher than that of H-shares for a long time, reflecting the different degrees of valuation premiums for the company's net assets in the two markets [3].

3. Reasons for the Valuation Difference between SMIC's A-shares and Hong Kong Stocks

3.1. Different Investor Structures

The A-share market is dominated by individual investors, whose investment decisions are easily influenced by market sentiment and news. Liu Chang and Sun Hao believe that domestic individual

investors are confident in the development prospects of the semiconductor industry, optimistic about the development potential of Semiconductor Manufacturing International Corporation in the process of domestic substitution, and are willing to give it a higher valuation [4]. At the same time, domestic institutional investors are also influenced by market atmosphere and performance evaluation pressure, which, to some extent, has driven the valuation increase of SMIC in the A-share market.

The Hong Kong stock market is dominated by international institutional investors, who adopt a rational and mature investment style. When valuing Semiconductor Manufacturing International Corporation, international investors comprehensively consider factors such as the competitive landscape of the global semiconductor industry, the gap between technological level and that of leading international companies, capital expenditure, and cash flow status. They are relatively more cautious and assign a lower valuation, as mentioned by Chen Yue in his research on the relationship between market liquidity and valuation and the impact of related investor behavior [5].

3.2. Differences in Market Liquidity

The overall liquidity of the A-share market is relatively good. As an important enterprise in the semiconductor sector, Semiconductor Manufacturing International Corporation has received high attention from investors and has active trading. Sufficient liquidity attracts more capital inflows, reduces transaction costs, and drives up stock prices and valuations. Zhou Qiang has elaborated on this in his research on the development trends of the semiconductor industry [6].

The liquidity of the Hong Kong stock market is relatively weak, and Semiconductor Manufacturing International Corporation has a small trading volume in the Hong Kong stock market. The stock price is highly sensitive to capital, and large transactions are prone to have a significant impact on the stock price, limiting investors' enthusiasm for participation and resulting in a relatively low valuation. This is also reflected in Zhao Yang's analysis of market competitiveness [7].

3.3. Market Maturity and Internationalization Level

The A-share market has a relatively low degree of internationalization, and there are differences in market rules and investor concepts compared to international markets. When valuing Semiconductor Manufacturing International Corporation, factors such as domestic industrial policy support and domestic substitution space are given more consideration, resulting in a higher valuation premium. Moreover, the short-selling mechanism in the A-share market is not perfect, and the market is dominated by long positions, which is prone to overvaluation of stock prices. Sun Xiao analyzed the relationship between the A-share market system and stock prices in his research [8].

The Hong Kong stock market is highly internationalized and closely linked to global financial markets. International investors consider Semiconductor Manufacturing International Corporation in the context of the global semiconductor industry landscape, referencing the valuation levels of international peers. At the same time, the short-selling mechanism in Hong Kong stocks is mature, enabling stock prices to more accurately reflect company value and avoiding excessive overvaluation. Qian Kun has relevant discussions on stock pricing research in the context of the internationalization of the Hong Kong stock market [9].

3.4. Expected Differences in Industry Development

China places great emphasis on the semiconductor industry and has introduced a series of supportive policies to promote domestic substitution. A-share investors are optimistic about the development prospects of Semiconductor Manufacturing International Corporation with the support of policies. They expect the company to make progress in technological breakthroughs and market share expansion in the future, and are confident in its future profit growth, giving it a high valuation. Wu Di's research on the impact of industrial policies on the valuation of semiconductor companies covers this topic [10].

While international investors recognize the potential of the semiconductor industry, they are more concerned about the international competition and technological bottlenecks faced by Semiconductor

Manufacturing International Corporation. In the context of fierce competition in the global semiconductor industry, where SMIC lags behind leading international companies in technology and faces technological blockades, international investors have doubts about its ability to overcome technological bottlenecks and achieve sustainable high-speed growth, leading to more cautious valuations. Zheng Jie's analysis of SMIC's financing strategies and their impact on valuation reflects this [11].

4. Conclusion

Currently, research on the valuation differences between SMIC's A-shares and Hong Kong stocks has yielded certain results, analyzing the manifestations and reasons for these valuation differences from multiple perspectives. However, existing research still has some shortcomings. On the one hand, some studies do not delve deeply enough into the interactions and dynamic relationships among various factors when analyzing influencing factors; on the other hand, there is a lack of systematic research on how to utilize valuation differences for investment decision-making and risk management.

Future research can be conducted in the following directions: First, further in-depth study of the complex relationships between various influencing factors to construct a more comprehensive valuation difference analysis model; second, strengthening research on investment strategies and risk management to provide investors with more operational suggestions; third, continuously tracking the valuation dynamics of Semiconductor Manufacturing International Corporation in different markets as the market environment and corporate development change, and timely updating and improving relevant research results.

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