Hong Kong & Mainland China News – Jan-2021

Hong Kong IPOs to net record $460b in 2021

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Hong Kong's initial public offering market is expected to raise up to HK$460 billion in 2021, hitting a historical high, according to PwC, with China's top ride-hailing firm Didi Chuxing and JD.com's (9618) JD Logistics lining up for public sales in the city.

PwC said Hong Kong could regain the top position for most funds raised among global IPO fundraising markets this year.

It predicts 170 IPOs in 2021, and the new economy and the US-listed Chinese enterprises will remain as the main drivers for listing activities.

Benson Wong, PwC Hong Kong's entrepreneur group leader, expects 10 to 15 US-listed companies will launch secondary listings in Hong Kong, raising HK$10 billion to HK$15 billion on average.

Meanwhile, JD Logistics has hired Goldman Sachs and Bank of America for its Hong Kong IPO, which could raise around US$4 billion (HK$31.2 billion), IFR reported.

The logistics unit of Chinese e-commerce giant JD.com is planning to start trading in the second or third quarter this year, with a targeted valuation of US$40 billion, the report said.

Didi Chuxing is also planning to sell shares in Hong Kong this year, targeting a valuation of around US$60 billion to US$80 billion, mainland media reported.

Didi is backed by technology investment giants SoftBank, Alibaba (9988), and Tencent (0700) and Retuers previously reported that the IPO coudl be launched within the first half of 2021.

Ten companies are currently conducting IPOs in Hong Kong. The most popular one is Yidu Tech, a software company providing health care solution services, which has attracted at least HK$161 billion in retail orders through margin financing as of last night, meaning its retail portion was at least 392 times oversubscribed.

HK, mainland IPOs raise $960b

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Thursday, Jan 07, 2021

The Hong Kong and mainland China initial public offering markets together raised more than HK$960 billion last year - the highest amount since 2010.

The total amount fundraised in the two areas accounted for about 45 percent of the global IPO market, Nikkei Asia calculated. Global IPO fundraising rose 23 percent year-on-year to US$263 billion (HK$2.05 trillion), the report added.

In Hong Kong, total funds raised by IPOs rose 25 percent to HK$397.7 billion last year, despite the suspension of Ant Group's mega-listing, which was supposed to be the biggest ever deal worldwide. Boosted by new economy stock and US-listed Chinese enterprises, Hong Kong ranked second in total funds raised among the global IPO markets last year, according to PricewaterhouseCoopers. Those companies are expected to remain as the key drivers for listing activities in Hong Kong this year, PwC added.

Following this trend, Hong Kong Exchanges and Clearing (0388) said it is seeking candidates for the listing review committee, especially people with experience and expertise in innovative and emerging sectors, including the biotech sector.

The listing review committee comprises 23 members. At least six of these members must be investor representatives and the remaining members must be a suitable balance of representatives of listed issuers and market practitioners, HKEX said.

Appointments will be for a term of about 12 months commencing around July 2021. Committee members may remain in office for a maximum of six consecutive years.

Meanwhile, Chinese IT solution provider Newlink Technology (9600) fell around 6 percent to HK$4.1 while Zonbong Landscape Environmental (1855), which mainly engages in landscaping and ecological restoration, rose 2.5 percent to HK$2.05 in their market debut yesterday.

Seven firms are currently conducting IPOs in Hong Kong. The most popular one is Yidu Tech, a software company providing healthcare solution services which has attracted at least HK$199 billion in retail orders through margin financing as of last night, meaning its retail portion was at least 483 times oversubscribed.

HK, ASEAN pacts to take full effect

by news.gov.hk
Friday, Jan 08, 2021

The Government today announced that the Cambodia portion of the free trade agreement and the investment agreement between Hong Kong and the Association of Southeast Asian Nations (ASEAN) will take effect on February 12.

It signifies that both agreements signed between Hong Kong and the 10 member states of ASEAN will come into full effect.

Hong Kong enterprises and service providers will enjoy the full benefits as committed to by all 10 ASEAN member states under the agreements. Their business opportunities in ASEAN markets will be greatly enhanced.

Hong Kong forged the free trade agreement and investment agreement with ASEAN in 2017 and the agreements have entered into force gradually since June 2019.

The agreements are comprehensive in scope, encompassing trade in goods and services, investment, economic and technical co-operation, dispute settlement mechanisms and other related areas.

They bring about legal certainty and better market access for Hong Kong enterprises.

They also help reduce the restrictions in doing business and expand business opportunities for Hong Kong enterprises, thus creating a more conducive environment for the development of Hong Kong's economy.

As for Cambodia, it will progressively reduce and eliminate customs duties on goods originating from Hong Kong.

Cambodia’s tariff commitments cover jewellery, articles of apparel and clothing accessories, watches and clocks as well as toys.

To enjoy the preferential tariff treatment for exporting Hong Kong goods to Cambodia under the agreement, Hong Kong traders have to comply with the relevant preferential rules of origin and fulfil the related requirements, and to apply for certificates of origin from the Trade & Industry Department or Government Approved Certification Organisations to cover the goods concerned.

On trade in services, Hong Kong service providers will enjoy legal certainty in market access for an extensive range of service sectors in Cambodia.

These service sectors include professional, business, telecommunications, construction and related engineering, educational, financial, tourism and travel-related as well as transport services.

Under the investment agreement, Cambodia will provide Hong Kong enterprises investing in its area with fair and equitable treatment of their investments, physical protection and security of their investments, and the assurance of the free transfer of their investments and returns.

In case of expropriation or investment loss due to war, armed conflict or a similar event, Cambodia will also compensate Hong Kong enterprises investing in its area according to the agreed standard under the agreement.

Hong Kong has signed eight free trade agreements with 20 economies. With the free trade agreement between Hong Kong and ASEAN coming into full effect, all the four free trade agreements signed in the current term of the Government will have taken effect.

They are the free trade agreements signed with Macau, Georgia, Australia and the 10 ASEAN member states.

Bank predicts 6.5pc growth for HK

by www.thestanadard.com.hk
Wednesday, Jan 13, 2021

Hong Kong's economy will rebound by 6.5 percent this year from a contraction of 6.1 percent in 2020, a bank has forecast.

The fourth wave of coronavirus infections has led to another round of stringent social distancing measures and a setback in the resumption of leisure travel, hindering the recovery of the economy, UOB said. The relaxation of travel within the Greater Bay Area could be an important step to signal increasing confidence of the virus being contained locally and in the region, the bank said.

With the narroing of the three-month HIBOR-LIBOR spread in November 2020, a key driver of Hong Kong dollar strength – carry trade – has faded away. While USD/HKD has lifted slightly from the lower bound of its Convertibility Undertaking at 7.75 in November, the normalization of USD/HKD higher may not come just yet, UOB said.

Inflows into Hong Kong's equity market remain strong and are likely to underpin further demand for the Hong Kong dollar, said Stephen Li, head of global markets, Greater China.

UOB expects a strong pick-up in the global economy, in anticipation of a successful vaccine roll-out. In the most probable scenario where vaccines are deployed globally in the first half of 2021 and the virus is contained by end of this year, the bank is forecasting full-year global growth at 5.2 percent.

It expects China to achieve 8.2 percent growth in 2021. But the growth differential between China and the United States and Eurozone will narrow as the year progresses, which will result in moderate gains of the yuan, which is expected to rise to 6.50 in the first quarter and 6.35 in the last two quarters of 2021, Li said.

China logs modest 2.3pc economic growth for 2020

by www.thestanadard.com.hk
Monday, Jan 18, 2021

China reported today that the economy grew by 2.3 percent last year.

However, Chinese consumers remained reluctant to spend, as retail sales contracted by 3.9 percent for the year. Retail sales for the fourth quarter increased by 4.6 percent from a year ago.

The gross domestic product grew by 6.5 percent in the fourth quarter from a year ago.

On a quarter-on-quarter basis, GDP grew by 2.6 percent in October-December, compared with expectations for a 3.2 percent rise and a revised 3 percent gain in the previous quarter.

Economists expected China to have been the only major economy to grow last year, and predicted GDP expanded by just over 2 percent.

The new coronavirus first emerged in the central city of Wuhan in Hubei province in December 2019. In an effort to control the deadly coronavirus, authorities shut down more than half the country, and the economy contracted by 6.8 percent in the first three months of 2020.

However, China returned to growth by the second quarter. Economists polled by Reuters predicted GDP would increase 6.1 percent in the fourth quarter, faster than the 4.9 percent pace of the previous quarter.

China's GDP growth figure this year will come off a lowered base.

Backed by strict virus containment measures and policy stimulus, the economy has recovered steadily from a steep 6.8 percent slump in the first three months of 2020.

HK, Thailand sign MoU on funds

by www.thestanadard.com.hk
Thursday, Jan 21, 2021

Hong Kong and Thailand's market watchdogs have signed a pact that will allow public funds to be distributed in each other's markets within a year.

The Securities and Futures Commission and the Securities and Exchange Commission of Thailand entered into a memorandum of understanding on Mutual Recognition of Funds to allow eligible Hong Kong and Thai public funds to be distributed in each other's market through a streamlined process.

"This new cooperation framework signifies a major expansion of our MRF network in Asia. It opens up new business opportunities for fund management firms and broadens cross-border investment channels and choices for investors in both markets," said SFC chief executive Ashley Alder.

The MoU establishes a framework for the exchange of information, dialogue as well as regulatory cooperation in relation to the cross-border offering of eligible Hong Kong and Thai funds.

In addition, the regulators agreed to expedite the approval process of a local feeder fund investing in an MRF-eligible Thai or Hong Kong master fund.

Both regulators will endeavor to take all actions necessary to implement the mutual recognition of funds scheme within six to 12 months, the SFC said.

IMF predicts 8pc economic growth in China

by www.thestanadard.com.hk
Tuesday, Jan 26, 2021

China's economy is set to grow above 8 percent this year, the IMF said, in its latest World Economic Outlook, published Tuesday, CNBC reports.

“China returned to its pre-pandemic projected level in the fourth quarter of 2020, ahead of all large economies. The United States is projected to surpass its pre-Covid levels this year, well ahead of the euro area,” Chief Economist Gita Gopinath said in a blog post.

HK exports rise 11pc as demand picks up

by www.thestanadard.com.hk
Wednesday, Jan 13, 2021

Hong Kong exports rose 11.7 percent year-on-year to HK$392.2 billion in December, and figures for the whole year saw only a fall of 1.5 percent. That beat estimates thanks to import demand recovery in major markets.

On the other hand, confidence among small and medium enterprises remains weak.

Imports rose by 14.1 percent in value over the 12 months to HK$437.9 billion in December.

A government spokesman said the value of merchandise exports posted double-digit growth in December as import demand in many major markets had revived.

"Exports to the mainland accelerated notably, and those to the United States and Europe also saw faster growth," he added. "Exports to many other major Asian markets showed improvement of varying degrees. Yet, dragged by the weak export performance in the first half of the year, the value of merchandise exports fell further by 1.5 percent for 2020 as a whole."

The year also saw imports fall by 3.3 percent from 2109. So a visible trade deficit of HK$342.2 billion - equivalent to 8 percent of the value of imported goods - was recorded in 2020.

Exports to the mainland rose by 17.5 percent and to the United States by 3.2 percent.

Meanwhile, small and medium enterprises' business confidence has been weakened in the first quarter due to the new wave of Covid-19, a survey by the Hong Kong Productivity Council shows. And the prediction is that sentiment is unlikely to recover until the second half.

The Standard Chartered Hong Kong SME Leading Business Index recorded an overall score of 32.4 in the projection for the first quarter of this year, down 5.1 against fourth-quarter 2020.

The survey in December saw responses from managements of 814 SMEs.

All five component sub-indices of the index were down too. Among them, the outlook for profit margins showed the most significant drop. Additionally, 38 percent of the SMEs expect an increase or unchanged turnover in the first quarter of this year - a decrease of 10 percent compared to the last quarter of 2020.