

MSI Asia Pacific Regional Conference

# HONG KONG THE GATEWAY TO CHINA

*Future forward: Creating opportunities together*

27 February 2025



紅日資本有限公司  
RED SUN CAPITAL LIMITED



紅日資本有限公司

RED SUN CAPITAL LIMITED

- \* Mr. Lai has more than 20 years experience in financial services from London and Hong Kong, of which more than 18 years are in corporate finance.
- \* Prior to joining Red Sun Capital Limited, Mr. Lai held position of Managing Director at Investec Capital Asia Limited, part of an international investment bank group listed in London and Johannesburg.
- \* Trained and qualified at Deloitte (London office), Mr. Lai is a fellow chartered accountant with the Institute of Chartered Accountants in England and Wales (ICAEW). He is also a sponsor principal and a responsible officer (Type 1 and Type 6 regulated activities) of Red Sun Capital Limited.
- \* Red Sun Capital Limited is licensed by the Securities and Futures Commission of Hong Kong to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, including IPO sponsor, mergers and acquisitions and other financial advisory engagements.



*Mr. Lai Chun Yu, Lewis*  
Managing Director  
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# Content

- ✿ **Hong Kong as a leading international financial centre and fundraising venue**
- ✿ Gateway to China for foreign companies
- ✿ Legal and regulatory framework
- ✿ Continued innovations and listing reforms
- ✿ Emerging trends in fundraising
- ✿ Key risks and challenges
- ✿ Opportunities for Legal and Accounting Firms
- ✿ Case studies

# Hong Kong as a leading international financial centre and fundraising venue

Top 3  
GFC

Ranked among the Top 3 global financial centre, following New York and London<sup>1</sup>

IPO

Ranked 4<sup>th</sup> globally in terms of IPO funds raised 2024<sup>2</sup>

2,600

Home to over 2,600 listed companies with a combined market capitalisation of approximately US\$4.5 trillion

Free  
Flow

No foreign exchange controls

<sup>1</sup>According to *The Global Financial Centres Index (36<sup>th</sup> Edition)*

<sup>2</sup>As per publication from PwC dated January 2025

# Hong Kong as a leading international financial centre and fundraising venue

## Low Taxes

No capital gains tax, competitive corporate tax rates

## Stable Currency

Solid Foundation - established Linked Exchange Rate System which governs Hong Kong's US-dollar peg

## Multi-lingual

Both English and Chinese are the official languages of Hong Kong

# Hong Kong as a leading international financial centre and fundraising venue

## *Capital Markets*

- ◆ Dual-Class Share Listings
  - ◇ Attracting tech giants (e.g. Alibaba, JD.com)
- ◆ Dual Primary Listings and Secondary Listings
  - ◇ Multi-national companies leveraging Hong Kong's status as an international financial centre for further fund raisings and enhance capital market visibility
- ◆ Bond Market
  - ◇ Dim sum bonds, green bonds and offshore renminbi bonds
- ◆ Private Equity and Venture Capital
  - ◇ Accessible for startups and welcomes innovative companies

# Hong Kong as a leading international financial centre and fundraising venue

## HK Accounted for the Largest and 4 of the top 10 Asia ex-JP IPOs

| #  | Issuer                | Exchange  | Deal Size (US\$mm) | Sector      |
|----|-----------------------|-----------|--------------------|-------------|
| 1  | Midea Group           | Hong Kong | 4,573              | Consumer    |
| 2  | Hyundai Motor India   | India     | 3,316              | Industrials |
| 3  | Swiggy                | India     | 1,343              | TMT         |
| 4  | NTPC Green Energy     | India     | 1,186              | Industrials |
| 5  | Vishal Mega Mart      | India     | 943                | TMT         |
| 6  | Horizon Robotics      | Hong Kong | 783                | TMT         |
| 7  | Bajaj Housing Finance | India     | 781                | Financials  |
| 8  | SF Holding            | Hong Kong | 749                | Industrials |
| 9  | CR Beverage           | Hong Kong | 743                | Consumer    |
| 10 | Ola Electric Mobility | India     | 732                | Industrials |

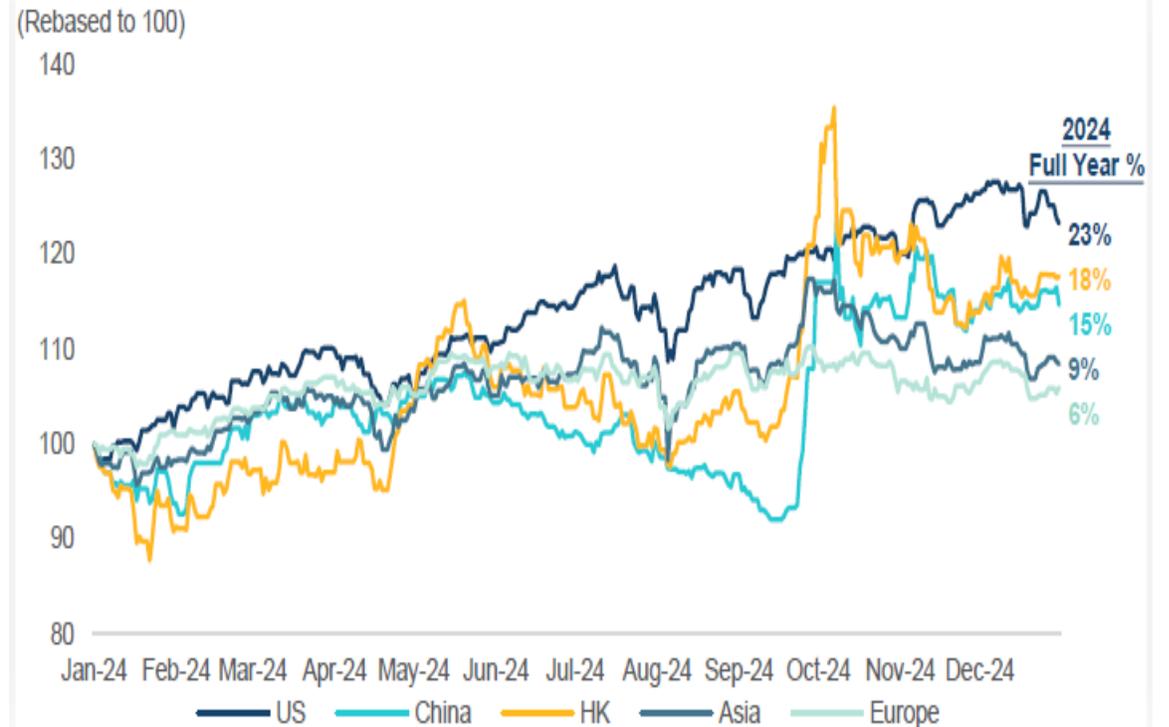
Source: Hong Kong Stock Exchange and Dealogic, as of 31 December 2024

▲ **18%** vs ▲ **9%** ▲ **23%** ▲ **6%**  
 Hong Kong vs Asia US Europe

**HK\$132bn**  
 Average Daily  
 Market Turnover

▲ **26%**  
 From 2023

## Solid Performance for Hong Kong and China in 2024<sup>1</sup>



Source: Bloomberg as of 31 December 2024 and Hong Kong Stock Exchange

Note 1: US: S&P 500; Europe: STOXX Europe 600; Asia: MSCI Asia; Hong Kong: Hang Seng Index; China: CSI 300

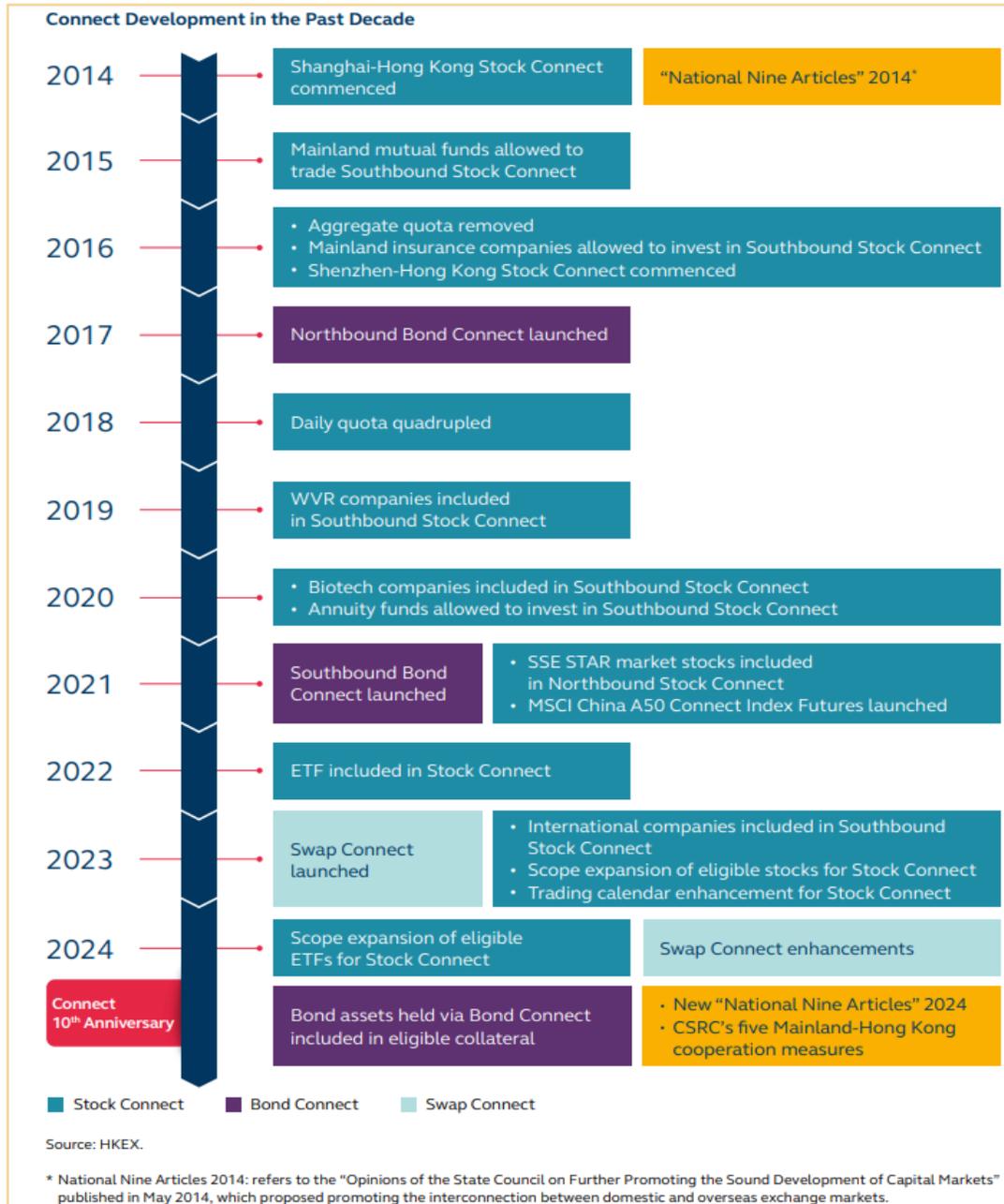


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- ✿ Case studies

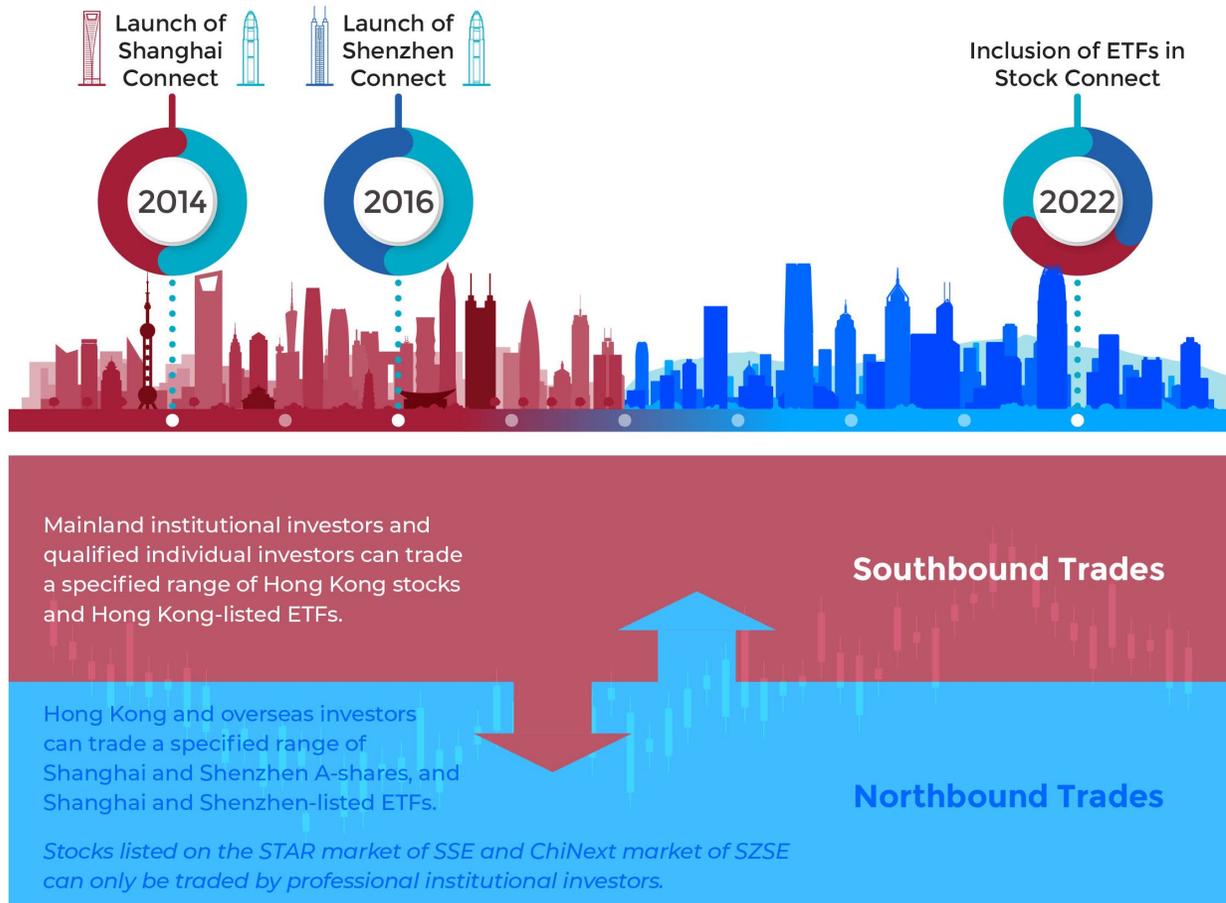
# Gateway to China for Foreign Companies

- Hong Kong, with a liquidity pool of over **RMB600 billion** outside Mainland China, is the largest and most important global offshore renminbi (RMB) business hub<sup>1</sup>.
- Hong Kong enjoys unique access channels for cross-border portfolio investment flows to and from Mainland China, including Stock Connect, Bond Connect and Wealth Management Connect.
- These channels enable overseas investors to access the Mainland China capital markets through connections established between the Mainland China and Hong Kong markets, and vice versa.



<sup>1</sup>Published by Hong Kong Monetary Authority

# Gateway to China for Foreign Companies



Source: The Investor and Financial Education Council

## Stock Connect

Seamless trading between HKEX and Shanghai/Shenzhen exchanges, investors in the Mainland China and Hong Kong markets are able to have direct access to each other's stock markets.

## Bond Connect

Gateway for global investors to access China's bond market and a channel for Mainland China institutional investors to invest in offshore bonds through the Hong Kong bond market.

## Wealth Management Connect

Cross-border retail investment opportunities, allowing eligible Mainland China, Hong Kong and Macao residents in the Greater Bay Area<sup>1</sup> to invest in wealth management products distributed in each other's market.

<sup>1</sup>Great Bay Area comprises Hong Kong, Macao and nine municipalities in the Guangdong Province with total population of over 86 million and GDP over RMB14 trillion in 2023



# Content

- ✿ Hong Kong as a leading international financial centre and fundraising venue
- ✿ Gateway to China for foreign companies
- ✿ **Legal and regulatory framework**
- ✿ Continued innovations and listing reforms
- ✿ Emerging trends in fundraising
- ✿ Key risks and challenges
- ✿ Opportunities for Legal and Accounting Firms
- ✿ Case studies

## Stable and well-established legal and regulatory framework

The Basic Law came into effect on 1 July 1997 with the establishment of the Hong Kong Special Administrative Region of the People's Republic of China (HKSAR). Under the Basic Law:

- Hong Kong adopts a bilingual common law system
- Courts exercise judicial power independently
- Well-established and effective Contract Law
- Transparent regulations in line with international standards
- Hong Kong listed companies, save for some PRC incorporated H-shares companies, mostly adopt Hong Kong or International Financial Reporting Standards
- Protection of intellectual property rights



# Content

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- ✿ Gateway to China for foreign companies
- ✿ Legal and regulatory framework
- ✿ **Continued innovations and listing reforms**
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- ✿ Key risks and challenges
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- ✿ Case studies

# Continued innovations and listing reforms to align with market needs

Implementing a number of new listing initiatives by HKEX:

In April 2018:

**Chapter 8A** - New Economy companies with WVR structures

**Chapter 18A** - Biotech Companies and **qualified overseas listed companies** to raise capital in Hong Kong

**Chapter 18B** - Special Purpose Acquisition Companies (SPACs) in January 2022

**Chapter 18C** - Specialist Technology Companies in March 2023

- Focus on companies from the **Specialist Technology Industry**

**GEM Reform** in January 2024

- Introduced a new alternative “Market Capitalisation/Revenue/R&D Test” for GEM and streamlined transfer mechanism for the transfer to the Main Board

**Consultation in progress**

- Public float thresholds, gathering ideas and gauging the receptiveness of an OTC market



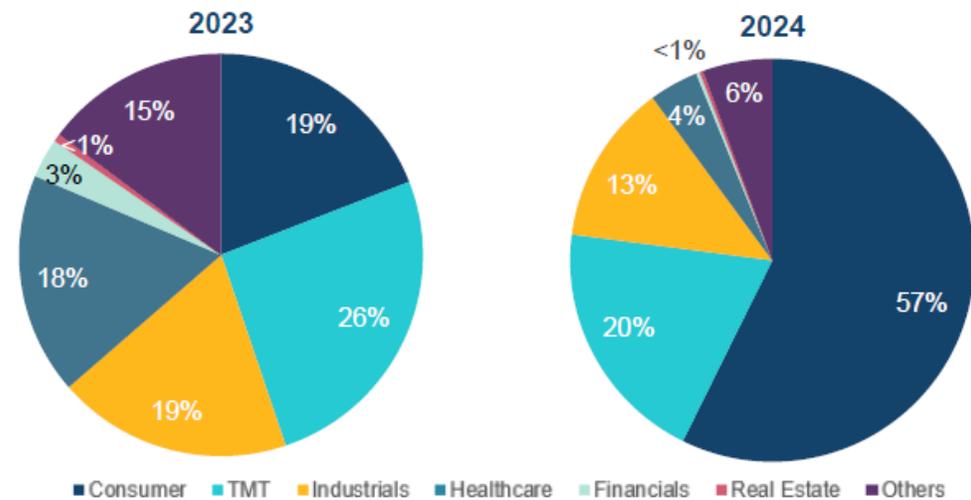
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- ✿ Hong Kong as a leading international financial centre and fundraising venue
- ✿ Gateway to China for foreign companies
- ✿ Legal and regulatory framework
- ✿ Continued innovations and listing reforms
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## Emerging trends in fundraising

- © Strong momentum going into 2025. Hong Kong ranked 4th globally in IPO fundraising in 2024, 71 successful IPOs with total funds raised of some HK\$87.5 billion in 2024;
- © Top sectors by IPO fundraise in 2024: Consumer (57%), TMT (20%) and Industrials (13%);





## Emerging trends in fundraising

- © Hong Kong is also a major bond issuance hub as well as a sustainable finance leader in Asia.
- © In 2023, around US\$90 billion worth of international bond issuances from the region were arranged in Hong Kong, representing around a quarter of the market<sup>1</sup>; and
- © Life and Health Technology, Artificial Intelligence and Data Science, Fintech Technology or Advanced Manufacturing and New Energy Technology, are considered to be in strategic industries identified by the Hong Kong Government.

<sup>1</sup>According to Hong Kong Monetary Authority website



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- ✿ Gateway to China for foreign companies
- ✿ Legal and regulatory framework
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- ✿ **Key risks and challenges**
- ✿ Opportunities for Legal and Accounting Firms
- ✿ Case studies

# Key Risks and Challenges

## Challenges

### **Uphold “Hong Kong’s Differentiators”:**

Maintain key “differentiators” and competitive edges over competitors

### **Create Value Proposition:**

Deliver stock market return and attractive investment prospects

### **Enhance Market**

#### **Attractiveness:**

Attract listing of market leaders of respective industries, maintain investors’ interest, create positive feedback loop

### **Concentration of Liquidity:**

A high level of liquidity is concentrated on large cap stocks given the increasing popularity of ETFs and Stock Connects

## Risks

### **Geopolitical Dynamics:**

US-China relations: uncertainties around tariffs, tightened export control of advanced technology and counter-measures

### **Rate of Recovery of PRC economy:**

Uncertainties around the rate of recovery of the PRC economy

### **Prolong period of high-interest rate environment:**

Given the Linked Exchange Rate System, the base lending rate will continue to be affected the Fed. rate

### **Depreciation of RMB:**

While offsetting some effects from tariffs, may create pressure on capital markets and lead to capital outflow



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- ✿ Continued innovations and listing reforms
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- ✿ Case studies

# Opportunities for Legal and Accounting Firms

- ◆ IPO related opportunities
  - ◆ Prior listing preparation, pre-IPO investment/fundraising, corporate restructuring, legal compliance and IPO advisory
- ◆ M&A Advisory opportunities
  - ◆ Deal advisory
  - ◆ Financial and legal due diligence
  - ◆ Post-completion integration
- ◆ Cross-Border Tax and Compliance
  - ◆ Navigating the tax systems in your country, Hong Kong and Mainland China
- ◆ Fundraising through Private Equity and Venture Capital
  - ◆ Fundraising (buy-side and sell-side) and due diligence related works



# Content

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- ✿ Continued innovations and listing reforms
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- ✿ **Case studies**

# Case Studies

## Primary & Secondary listing for overseas issuers

HKEX welcomes **overseas issuers** provided that they are able to meet core shareholder protection standards as set out in the Listing Rules.

A list of overseas jurisdictions of incorporation\*, including but not limited to **Australia, Japan, Korea, Malaysia, Singapore**, have been reviewed by HKEX. Companies seeking a listing on the HKEX, which were incorporated in countries not enlisted thereunder, are encouraged to consult HKEX at the earliest opportunity.

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\*[https://www.hkex.com.hk/Listing/Rules-and-Guidance/Listing-of-Overseas-Companies/List-of-Acceptable-Overseas-Jurisdictions?sc\\_lang=en](https://www.hkex.com.hk/Listing/Rules-and-Guidance/Listing-of-Overseas-Companies/List-of-Acceptable-Overseas-Jurisdictions?sc_lang=en)

# Case Studies - Primary & Secondary listing for overseas issuers

Overseas issuers may apply for:

- \* **Primary Listing** (Main Board or GEM)
- \* **Dual-primary Listing** (Main Board or GEM)
- \* **Secondary Listing** (Main Board)<sup>1</sup>
  - \* For issuers have been already primary listed on a stock exchange recognised by HKEX<sup>2</sup> as having a **strong reputation** for requiring high shareholder protection and corporate governance standards and the **majority of trading**

|                                   | Primary Listing    | Dual-Primary Listing   | Secondary Listing  |
|-----------------------------------|--------------------|--|--|
| <b>Principal Place of Trading</b> | HKEX               | <ul style="list-style-type: none"> <li>• HKEX</li> <li>• Other primary listing market</li> </ul> | Primary listing market   |
| <b>Regulatory Regime</b>          | HKEX Listing Rules | HKEX Listing Rules and rules of the other primary listing market apply                           | Reliance placed on the regulations and enforcement of the primary listing market |

<sup>1</sup> For Secondary Listing (without weighted voting rights), minimum market capitalisation is HK\$3 billion and minimum Listing Track Record is 5 years with good compliance record (Such period can be shortened for those which are already listed on a qualifying stock exchange with a market capitalisation of not less than HK\$10 billion at the time of listing)

<sup>2</sup>[https://www.hkex.com.hk/Listing/Rules-and-Guidance/Listing-of-Overseas-Companies/List-of-Recognised-Stock-Exchange?sc\\_lang=en](https://www.hkex.com.hk/Listing/Rules-and-Guidance/Listing-of-Overseas-Companies/List-of-Recognised-Stock-Exchange?sc_lang=en)

# PRADA S.p.A.

(Stock code: 1913.HK)

Incorporate: Italy (1913)

Industry: Textiles & Clothing - Other Accessories

Main Brand: Prada, Miu Miu, Church's

- \* Prada Group designs and produces ready-to-wear, leather goods, footwear and jewellery collections, and distributes its products in more than 70 countries
- \* Listed on the **Main Board** of the **Hong Kong Stock Exchange** on 24 June 2011 with net proceeds of HK\$2.3 billion

# miu miu Church's

## PRADA Group

|                     | No. of stores (owned & franchises) |                          |
|---------------------|------------------------------------|--------------------------|
|                     | <i>as of 31 Dec 2023</i>           | <i>as of 31 Jan 2011</i> |
| <b>Asia Pacific</b> | <b>219</b>                         | <b>117</b>               |
| Japan               | 85                                 | 56                       |
| Europe              | 200                                | 143                      |
| Americas            | 102                                | 34                       |
| Middle East         | 25                                 | 2                        |
| <b>Total</b>        | <b>631</b>                         | <b>352</b>               |

| <i>EUR' million</i> | <i>Y.E. 31 Dec 2023</i> | <i>Y.E. 31 Jan 2011</i> |
|---------------------|-------------------------|-------------------------|
| Net revenue         | 4,726                   | 2,047                   |
| Gross margin        | 3,802                   | 1,388                   |
| Net Income          | 671                     | 251                     |

# Fast Retailing Co., Ltd.

(Stock code: 9983.T, 6288.HK)

Incorporate: Japan (1963)  
 Industry: Textiles & Clothing – Apparel  
 Main Brand: UNIQLO, GU, Theory

- \* A global developer of fashion brands. The Group's pillar UNIQLO operation boasts 2,495 stores worldwide
- \* Listed on the First Section of Tokyo Stock Exchange since 1999
- \* **Secondary Listing** of 500,000,000 Hong Kong depositary receipts on the **Main Board** of the **Hong Kong Stock Exchange** by way of Introduction in March 2014



# Theory



|                      | <i>No. of stores<br/>(as of 31 Dec 2024)</i> | <i>First store<br/>opening</i> |
|----------------------|--|--------------------------------|
| <b>Greater China</b> | <b>1031</b>                                  | -                              |
| - Mainland China     | <b>923</b>                                   | <b>2002</b>                    |
| - Hong Kong          | <b>35</b>                                    | <b>2005</b>                    |
| - Taiwan             | <b>73</b>                                    | <b>2010</b>                    |
| Japan                | 802  | 1984                           |
| South Korea          | 131  | 2005                           |

| <i>Y.E. 31 Aug 2024</i>                              | <b>Revenue</b><br><i>JPY' billion</i> | <b>Profit</b><br><i>JPY' billion</i> |
|--|---------------------------------------|--------------------------------------|
| <b>Greater China</b>                                 | <b>677.0</b>                          | <b>104.8</b>                         |
| Japan  | 932.2                                 | 155.8                                |
| South Korea,<br>Southeast Asia,<br>India & Australia | 540.5                                 | 97.6                                 |

# LHN Limited

(Stock code: 410.SI, 1730.HK)

Incorporate: Singapore (1991)

Industry: Properties & Construction  
- Properties - Property Investment

- \* A real estate management services group that provides integrated real estate management services across Asia
- \* Listed on **Catalist board** of the **Singapore Exchange Securities Trading Limited** in April 2015
- \* Listed on **Main Board** of the **Hong Kong Stock Exchange** in December 2017



| <i>SGD' 000</i> | <i>Y.E. 30 Sep 2024</i> | <i>Y.E. 30 Sep 2023</i> |
|-----------------|-------------------------|-------------------------|
| Revenue         | 121,021                 | 93,644                  |
| Gross profit    | 62,213                  | 51,865                  |
| Net profit      | 47,873                  | 40,221                  |



# Questions and Discussion

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