China's Tesla rival Li Auto makes HK debut after $1.5 billion IPO

Firms already trade in New York seek exposure in Asian financial hub

HONG KONG: Chinese electric car maker Li Auto began trading in Hong Kong yesterday after a $1.5 billion initial public offering it hopes will help it break out from its mainland market. The listing of the company regarded as a possible rival to Elon Musk's Tesla comes as firms already traded in New York-such as Li-seek exposure in the Asian financial hub as a hedge against China-US tensions that could see them removed from US exchanges.

Shares in Li Auto were trading at HK$116.90 ($15) at 0730 GMT yesterday, against an IPO price of HK$118, having fallen around two percent earlier in the day. "We want to be a winner, not just a mere participant, in the global market," Li Auto co-founder and president Shen Yanan told Hong Kong's South China Morning Post in an interview published yesterday.

"To win market share overseas, a car company has to develop the right product to attract customers with tastes" that are different from those in China. "We have set up a team dedicated to the overseas markets and we are meticulously working on the plans to find a winning formula."

The listing-just a month after rival XPeng's Hong Kong IPO-is "an opportunity for Li to cash in while their valuation is higher", Tu Le, founder of consultancy Sino Auto Insights, told AFP.

It will allow the company to add to its $1.1 billion war chest, assembled when it went public in New York in July 2020. Li Auto plans to dedicate almost half of its net proceeds to research and development including in "ultra-fast charging technologies", according to its prospectus.

Part of the funds will also go towards developing "intelligent vehicle and autonomous driving technologies". China is the world's largest car market with electric cars accounting for 10 percent of all car sales from January to July, the China Association of Automobile Manufacturers said Wednesday.

The industry group expects new-energy vehicles to make up 25 percent of car sales by 2025. Drivers have been flocking to local auto brands in recent months as Chinese regulators question Tesla over safety concerns. "Many domestic brands are newer, more recognized for their smart capabilities," Tu said.

"They... really target their consumers more precisely through their digital marketing campaigns." However, the listing comes at a turbulent time for stocks in Hong Kong, as investor jitters grow over Beijing's tightening grip there, following the imposition of a sweeping national security law last year.

Chinese authorities have also been busy reining in the influence of mainland tech giants, and more recently its lucrative private education sector. And on Wednesday they signalled plans to continue a sweeping regulatory drive across the economy that would last for the next five years.

BEIJING: An employee of Chinese electric car company Li Auto works at its retail store at a shopping mall in Beijing yesterday. — AFP

Hong Kong has seen a bumper crop of Chinese firms choose to list closer to home in the last two years as tensions with the United States have worsened, though China's latest tech clampdown has dulled some of that enthusiasm. Still, a key reason Hong Kong may well remain attractive for Chinese firms are new rules Beijing is planning to implement that will mean local tech firms must obtain cybersecurity clearance if they list overseas. Those listing in Hong Kong will probably be exempt. — AFP

China's anti-sanctions law a new headache for banks in Hong Kong

HONG KONG: China's plan to expand its anti-sanctions law into Hong Kong is a fresh compliance headache for international banks already caught up in deteriorating relations between Beijing and major western powers, analysts and insiders say.

As a finance hub with an internationally respected legal system, Hong Kong has long marketed itself as a reliable business gateway to authoritarian China. But swirling geopolitical tensions-and China's crackdown on dissent in the city-have made that business environment less smooth the last two years.

And things could be about to get even more complicated. In June, China passed a broad anti-sanctions law in response to US and European punishments sparked by Beijing's treatment of Hong Kong and its Uighur Muslim minority in Xinjiang. Its powers include denying visas, deportation, or seizing assets of those who formulate or comply with sanctions against Chinese businesses or officials. Foreign companies can be sued in Chinese courts for applying sanctions and the law can also be wielded against family members. Then earlier this week Hong Kong's chief executive Carrie Lam confirmed the anti-sanctions law would soon be applied in the financial hub in some form.

International businesses-in particular banks-are now scrambling to work out what that could mean for them, fearful that they could be caught between competing sanction regimes.

"If the law is to be taken seriously, it could be a huge problem if banks in Hong Kong have to enforce US sanctions, and then face prosecution in Hong Kong for enforcing those sanctions," Julian Ku, an expert in international law at Hofstra University told AFP.

'Bite the bullet'

Question marks surround what the law might look like. Chinese state media has said Beijing's top law-making body is planning to unveil unspecified new measures for Hong Kong and Macau when it meets next week. Some Hong Kong officials have suggested Beijing could impose the law on the city as it did with sweeping national security powers last year that criminalized much dissent.

"I know some of us may be very concerned," Secretary for Justice Teresa Cheng told reporters earlier this month. "But I think we shouldn't be too worried for now." Lam, one of the dozens Chinese officials sanctioned by the United States, has said she would rather the law be passed locally to cater for the city's own legal and business environment. Such assurances are of limited comfort for people like John, a senior manager working for an international bank in Hong Kong, who fear being caught between an American rock and a Chinese hard place.

"We have no choice, either we shut the whole bank, which many people don't want to do, or we have to just bite the bullet and continue our businesses," he told AFP, asking to remain anonymous to speak freely. China may be wary of forcing foreign banks out of Hong Kong.

The national security law already makes it illegal for companies based there to adhere to foreign sanctions-something the United States highlighted last month in a rare business advisory warning. So far China has not gone after any major international bank using that power, even after Lam complained she has no bank account because of the sanctions. — AFP

Turkey eyes inflation as bank holds key rate at 19%

ISTANBUL: Turkey's central bank said yesterday it was keeping a close eye on rising inflation as it left its key interest rate unchanged at 19 percent for the fifth month. The bank said "high levels of inflation expectations continue to pose risks to the pricing behavior and inflation outlook" and reaffirmed its promise to keep its policy rate above that of inflation.

Consumer price increases accelerated to a two-year high of 18.95 percent in annual terms last month.

The lira was trading at around 8.54 to the dollar 30 minutes after the rate decision was announced. The bank's decision came despite nagging pressure from President Recep Tayyip Erdogan to lower borrowing costs as quickly as possible to improve Turkey's growth prospects.

Erdogan reaffirmed his unorthodox belief that high interest rates cause inflation instead of tamping it down last week. "There will be no high interest rates high interest rates will bring us high inflation," Erdogan said in a television interview. "The month of August is a breaking point. With August, God willing, we will switch to low inflation." —AFP