【Anchor】Hello everyone, welcome to DDN Business Insider. I am Yunfei Zhang. The two-day 2024 Lujiazui Forum was held last week. China Securities Regulatory Commission (CSRC), Representatives of the People's Bank of China (PBC), and other national financial institutions delivered speeches at the forum, releasing relevant policies and measures on the future development of China's economy. The Secretary for Financial Services and the Treasury, Mr Christopher Hui, also attended the forum. What messages have been released regarding the economic development of the Mainland and Hong Kong in the second half of the year? Regarding this topic, we have invited Ren Libi, the founder and CEO of Beijing Yuanda Invest Co., Ltd, Peng Wenyu, chief analyst of IPO strategy of SWS Research Co., Ltd., and Robert Lee Wai-wang, member of the Hong Kong Legislative Council for Financial Services to bring their comments and analysis. Hello!

【Anchor】When the press conference was held earlier, the market had some expectations for the statement of CSRC. Looking at the final statement, Ms. Ren, what do you think about the chairman of the CSRC, Wu Qing's statement this time? What do you think are worth focusing on?

【Ren】Chairman Wu Qin's statement at the Lujiazui Forum demonstrated the importance that the CSRC attaches to the high-quality development of finance and the growth of the world economy. His speech highlighted the importance of the reform of the STAR market, which may be seen as an affirmation of the market's expectations. Contents worthy of attention include the direction of further reform of the STAR market, how to promote the deep integration of finance and technology, and the development of the real economy. The launch of the eight new measures conveys the firm determination of CSRC to further deepen the reform of the capital market, especially the reform of the STAR market. This may enhance the attractiveness of the STAR market to "hard-tech" enterprises, and promote technological innovation and industrial upgrading. This may also send a positive signal to the market that China will continue to support technological innovation and high-quality development.

【Anchor】Alright. Ms. Peng, what do you think are the highlights?

【Peng】Regarding Chairman Wu Qin’s speech, I think there are a few points worth paying attention to. Firstly, Chairman Wu Qing mentioned that we should proactively embrace the development of “new quality productive forces”. He pointed out that the development of “new quality productive forces” should not only focus on the cultivation and strengthening of emerging industries, and the planning and construction of future industries but also include transforming and upgrading traditional industries. The most urgent task is to conduct in-depth studies of the characteristics of the relevant enterprises, studying their development rules, as well as their demands in investment and financing, share incentives, corporate governance, etc. In this way, we can enrich the tools, products, and services of the capital market in a targeted manner.

Second, to attract more medium- and long-term capital into the capital market, and to optimize the support policies around the whole chain of raising, investing, managing and withdrawing of venture capital and private equity investment.

On the same day, the eight measures to reform the STAR market released by the CSRC also mentioned optimizing the reverse-linked mechanism for private equity venture capital fund exits and supporting the reasonable request to reduce the holdings. The reverse-linked mechanism means that the longer you invest before the company goes public, the shorter your share lock-up period will be after the IPO. The purpose is to guide institutions to better invest in early and small companies and to promote a virtuous cycle of financial services in the technology industry.

Third, to encourage the strengthening of upstream and downstream mergers and acquisitions (M&A) and reorganization of the industry chain. As the pace of IPO issuance tightens, M&A and reorganization will become an important option for companies, including technology companies, to enter the capital market.

Fourthly, the problem of accommodating innovation should be solved from the perspective of institutional mechanisms and concepts. As Chairman Wu said, the essence of innovation is to explore the unknown.

【Anchor】Alright. The market is also very concerned about topics related to delisting, what do you think of the relevant measures?

【Peng】Investor protection is also a common concern in the market these days. The CSRC's attitude is very clear, as it mentioned that illegal and irregular issues must be pursued to the end, and fishing in troubled waters will not be allowed. Specific measures include promoting more securities special representative litigation, advance compensation, commitment by the parties concerned and so on. Such measures will provide more support for investors to obtain compensation and remedies.

I believe that while increasing the efforts to remove the black sheep of the A-share market and improve the quality of listed companies, how to do a good job in the delisting process of investor compensation is also a must-learned topic for the long-term healthy development of China's capital market.

【Anchor】Yes. In addition, relevant media reports have generally focused more on the eight measures to deepen the reform of the STAR Market. Ms. Peng, what signals does the promulgation of the eight measures convey at this point of time?

【Peng】I think this reform marks the re-launch of the STAR market reform, and the purpose of the reform is to better serve the development of technological innovation and “new quality productive forces”.

Over the past five years since its inception, the STAR market has played an important role in supporting high-level technological self-reliance and improving the technical system of the capital market. With the changes in the macro environment, market environment, and the stage of development of China's science and technology industry, the supporting rules and regulations of the STAR market should also be adjusted and improved in line with the strategic goal of the capital market to serve high-quality development and the development of "new quality of productivity".

【Anchor】Alright. Looking at the results achieved in the past five years of the reforms of the STAR market and the registration-based IPO regime, Ms. Ren, how do you expect the eight measures to play out? What impact will it have on the development of the mainland's STAR market and even the capital market?

【Ren】Over the past five years, the reforms of the STAR market and the registration system have achieved remarkable results and injected strong impetus into the development of the mainland's IT sector. I think the eight measures will further optimize the institutional design of the STAR market and enhance its attractiveness and competitiveness. This will have profound impact on the development of the Mainland's STAR market, and will also have a positive impact on the development of the capital market.

【Anchor】Alright. Ms. Peng, what do you think are the impacts of the eight measures on the market?

【Peng】In addition to the points I have just mentioned, I think there are two other points of concern. First, issuing and underwriting. The core change this time is to strictly prevent overpricing, with two main measures in place. The first is that the current business rules stipulate that the high price exclusion ratio for IPOs should not exceed 3%. In practice, we can see that they all follow the 1% rule. This time, the STAR market will standardize the 3% high price exclusion ratio. This is much more risky for those who quote lower prices to gain entry into the market. The second point is to study and establish a white list system for professional investors, and to adopt a strict qualification restriction on organizations that frequently quote high prices. We think that these two measures will lead to a more rational and conservative downward pricing of the STAR market.

Another point of concern is the introduction of a shelf-offerings mechanism for refinancing on the STAR market. The so-called shelf offering mechanism means to register once and issue in several times, and the price of each time will follow the market. The advantage is that it can satisfy the capital needs of listed companies, enhance the efficiency of financing, and also alleviate the impact of financing on the secondary market. We think that there will be a significant increase in the scale and efficiency of refinancing on the STAR market in the future.

【Anchor】Alright. Also at the forum, the Governor of the PBC, Mr. Pan Gongsheng, mentioned that when the growth of monetary credit has shifted from supply-constrained to demand-constrained growth, it would be against the rules of economic operation if the focus is still on quantitative growth. However, the slowdown in the growth of monetary credit still attracted media attention. Ms. Ren, what do you think about this slowdown trend?

【Ren】The slowdown in money credit growth can be understood in the following ways. First, the impact of the stage of economic development and structural adjustment. As the economy shifts from a stage of rapid growth to a stage of high-quality development, the economic structure is facing optimization and restructuring. Traditional drivers of credit demand may change. For example, some energy-intensive and inefficient industries will be restricted and their credit demand will be reduced accordingly. At the same time, credit demand in emerging industries and innovative areas may still be in the process of nurturing and growing, resulting in a change in overall credit demand and a slowdown in loan growth. Second, changes in the macroeconomic environment and market expectations. In times of economic uncertainty and downward pressure, enterprises and individuals may be less willing to invest and consume, and their demand for credit will decrease accordingly. At the same time, market expectations of future economic trends will also affect credit behavior. If the expectation is pessimistic, the demand for credit may be suppressed.

Furthermore, the strengthening of financial supervision and risk prevention and control. In order to prevent financial risks, the regulatory authorities have strengthened the supervision of financial institutions, standardized credit investment practices, and avoided excessive lending and capital shortfalls. To some extent, this may have led to an adjustment in the rate of credit growth. In addition, the orientation and transmission mechanism of monetary policies. The central bank’s monetary policy objectives and the application of tools will affect the supply and demand for monetary credit. If monetary policy focuses on stabilization and neutrality or structural adjustment, it may lead to changes in the pace of monetary credit growth. At the same time, the smoothness of the monetary policy transmission mechanism will also affect the monetary credit growth.

Lastly, international economic situation and external shocks. External factors such as global economic fluctuations, trade frictions and exchange rate changes may affect enterprises' import-export, and investment decisions, thereby affecting credit demand and leading to a slowdown in the growth of monetary credit

【Anchor】Alright. Also at this forum, the IMF established a regional center in Shanghai. At the same time, CSRC and the Shanghai Municipal People's Government established a collaborative working mechanism for the capital market to support Shanghai in accelerating the construction of the five centers. Ms. Ren, how do you think Hong Kong and Shanghai should differentiate themselves in terms of their positioning as "international financial centers" in the future? What are the opportunities for Hong Kong?

【Ren】In the future, Hong Kong and Shanghai can differentiate themselves in terms of their positioning as international financial centers. Hong Kong has the advantages of a mature financial market system, an internationalized financial regulatory regime and close links with the global market. Hong Kong should continue to capitalize on its expertise in the areas of asset management and risk management in international financial services and strengthen its role as a bridge between the Mainland and the global capital markets. At the same time, also actively expanding into emerging areas such as fintech and green finance. Relying on the Mainland’s huge economic system and ever-increasing technological innovation capability, Shanghai should focus on the development of financial services, the real economy, the application of fintech and the internationalization of the RMB, so as to strengthen the synergistic development of the Yangtze River Delta region and enhance its influence in the international financial market.

【Anchor】Regarding Hong Kong's international competitiveness, we saw some good news last week. Hong Kong has ranked fifth in the 2024 World Competitiveness Ranking, an index produced by the IMD Business School. Of the four factors, Hong Kong's economic performance improved significantly. Regarding Hong Kong’s economy, we have invited Mr. Robert Lee Wai-wang to talk about his view. Mr. Lee, Hong Kong's economic performance has improved. What do you think are the factors that help improve Hong Kong’s economy? Also, what do you think about Hong Kong’s economic performance in the second half year?

【Lee】The IMD World Competitiveness Ranking was first created more than 30 years ago. Hong Kong's past rankings have been quite good, and we have seen improvements this year. This is a reflection of last year’s work. In particular, we see that the government has introduced many new measures to promote the economy and improve people's livelihood, which results in an improving and better business environment. From the Policy address and the BUDGET, we can see there are many measures to attract capital and talent, such as the Top Talent Pass Scheme, the Capital Investment Entrant Scheme and the Family Office. Recently, the CSRC also introduced five measures to stimulate Hong Kong's capital market, which are all favorable factors. Looking at the financial market, the IPO market is looking up as the pipeline grows, and the overall investment climate is relatively favorable. After the CSRC released the five measures, the HSI rose for 10 consecutive days. I think this is a reflection of the fact that the measures introduced in the past two years are now beginning to bear fruit. We can also see that the economy is gradually recovering as society recovers from the pandemic. And I think holding some large events can also drive Hong Kong’s economic development.

【Anchor】Now that we are approaching the halfway point of 2024, Ms. Ren, how do you see the economic development of mainland and Hong Kong in the second half of the year, as well as the opportunities and challenges faced by investors?

【Ren】Regarding the economic development of the Mainland and Hong Kong in the second half of the year, as well as the opportunities and challenges faced by investors, I believe against the backdrop of the global economic recovery, the economies of the two places are poised for new development opportunities. However, there are also some challenges at the same time, such as the uncertainty of the global economic recovery and geopolitical risks. For investors, it is important to pay close attention to market dynamics and to seize investment opportunities. At the same time, investors also need to pay attention to risk management to avoid risky moves.

【Anchor】All right, thank you to you all. That's all for this episode. Remember to follow us on YouTube or download our APP. I'm Yunfei Zhang, thanks for watching, and see you next time.