Analysis of the Financing Environment of Listed Companies in Mainland China and Hong Kong

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Abstract. China's capital market is now moving from the emerging capital market to the “transition stage”. Under this background, this paper focuses on the comparison of the financing environment between Hong Kong and mainland China listed companies. Different from previous studies, this paper is based on the comparative study of the special “one-country, two-system” and market segregation in China's capital market. We discussed what can be borrowed from the financing environment of Hong Kong, and which is not in line with national conditions or need to learn from it, and provided research basis for the simultaneous development of cross-strait financial markets.

Introduction

The introduction of MM theory in the late 1950s inspired the academic research and empirical analysis of corporate financing behavior. One of the most noteworthy studies was the analysis of the theory of priority financing by American economist Myers in 1984 [1]. The theory points out that the financing order of enterprises is retained earnings, debt financing, and equity financing. This theory is the most commonly used basic theoretical model for researching financing priority order at home and abroad. In the research literature on financing priority order: in terms of method, in addition to the revision of the most classic financing priority model, there is also the probability of judging the priority of various financing sequences to judge the financing order, and then establishing the financing preference model directly from The capital structure of the enterprise judges its financing priority; on the premise, there is a default equity financing priority and the default credit priority. From the research perspective, the financing priority order in the research and acquisition behavior also has the financing priority of refinancing behavior; For the purpose of research, it is necessary to analyze the financing priorities of the various enterprises to analyze whether the financing order is consistent with the capital structure, and also analyze the financing costs of various channels of the enterprise, as well as the short-selling behavior of the controlling shareholders. This paper mainly analyzes the financing environment of listed companies in mainland China and Hong Kong from a qualitative perspective [2,3].

In recent years, economists generally believe that China's capital market is moving from the emerging capital market to the “transition stage”. In the process, China's capital market is also facing reforms again and again, including the expansion and stratification of the new three boards, and the main board market is blown. Trial operation of the mechanism, implementation of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect. Hong Kong is the largest offshore renminbi center in the world. The cross-border renminbi movement between Hong Kong and the Mainland is a major component of cross-border renminbi movement. There are a large number of capitals in the academic circles for Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect. The market learns from each other for the study of integration, but from the perspective of financing of listed companies, in addition to the policy reconciliation in the securities market, whether there are other reconciliation mechanisms can make the financing level of listed companies on both sides of the strait consistent, which is the purpose of this paper.
Analysis

The Hong Kong Special Administrative Region is located in South China, east of the Pearl River Estuary, along the South China Sea, north of Shenzhen, Guangdong Province, and west of the Pearl River. It faces the Macao Special Administrative Region, Zhuhai City and Zhongshan City across the Pearl River Estuary. It consists of three major regions, including the Kowloon Peninsula and the New Territories. It has a total land area of 1104.32 square kilometers. At the end of 2014, the total population was about 7.264 million, and the population density ranked third in the world. In contrast, China's entire land area is 9.6 million square meters. Kilometers. From the perspective of land area, the inland area is about ten times the land area of Hong Kong. However, from the perspective of the financial environment, the volume of the two is in the same state.

Figure 1. Comparison of the number of listed companies in Hong Kong and Shanghai and Shenzhen stocks each year.

The number of listed companies in Hong Kong is maintained at more than 50 per year. The number of listed companies in the year of 2008 was significantly reduced compared with other years. After the economic recovery, the number of listed companies continued to rise. After 2010, the number of listed companies was basically 50-100. Floating between intervals. The three IPOs suspended by the Shanghai and Shenzhen stock markets caused a significant drop in the number of IPOs in the year. From May 25, 2005 to June 2, 2006, the fifth IPO time was suspended for a total of 264 trading days. Due to the start of the share reform, this is the longest suspension of new shares in the history of A shares; the sixth suspension From September 16, 2008 to June 29, 2009, the number of listed companies in 2008 and 2009 was very small; the seventh IPO suspension occurred from November 16, 2012 to January 17, 2014. Since then, the number of Shanghai and Shenzhen main board listings has clearly shown a continuous surge, and the number of IPOs has continued to record high every year.
Judging from the total number of listed companies, the number of Hong Kong stocks listed on the Shanghai and Shenzhen Main Board is quite large, and there are no more than 1,800 listed companies. Among them, the main board of the mainland is mainly listed by the Shanghai Stock Exchange, which is 1,401; the Shenzhen Stock Exchange has 491 listed on the main board, which is significantly less than the SSE. The reason is that it was established later than the SSE and mainly undertakes small and medium-sized boards. Issuance of stocks of companies such as the GEM. Among the listed companies on the main board of Hong Kong stocks, there are 310 stocks under the Shanghai-Hong Kong Stock Connect and 445 stocks in Shenzhen and Hong Kong. 310 Shanghai-Hong Kong-based stocks are also shares of Shenzhen-Hong Kong Stock Connect.

According to the GICS industry classification criteria, from the industry distribution of listed trading companies, Hong Kong's main board companies are mainly non-daily consumer goods, such as media, fashion, department stores, automobiles, etc., followed by industrial industries, such as construction, steel, and ports. The companies listed on the Shanghai and Shenzhen Main Boards are mainly industrial, followed by non-domestic consumer goods. In addition, the number of listed companies in Hong Kong's main board financial real estate industry is significantly higher than that of the Shanghai and Shenzhen stocks. It can be concluded that the financial real estate and service industry in Hong Kong is more developed than the mainland. The region with the tertiary industry as the main economic carrier is obviously different from the mainland where the secondary industry is still the economic support point.

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In addition, statistics show that in 2014, the proportion of corporate bond market financing in the mainland accounted for 14.7% of the social financing scale, an increase of 3.2 percentage points year-on-year. Bond financing became the second largest channel for entities other than loans to obtain funds. As of the end of May, the bond market custody balance was 3.808 billion yuan, a year-on-year increase of 19.97%. Among them, the inter-bank bond market custody balance was 36.67 trillion yuan, accounting for 96.3% of the total custody balance of the bond market. Although the development of China's bond market has achieved great results, it must also be seen that the current balance of China's bond market as a share of GDP is still relatively low, less than 60%, while the balance of US and Japanese bond market accounts for 200% of GDP. More than %, the Chinese bond market still has a lot of room for development.
Summary

Drawing on the financing environment of listed companies in Hong Kong has three important implications. First, the transitional stage needs to learn from the policy experience of mature capital markets. Secondly, if we want to improve the asset allocation function and anti-risk ability of China's capital market, it is imperative to learn from the market rules of mature capital markets represented by Hong Kong's capital market. Once again, Chinese companies are generally facing the problem of “funding difficulties”. If the main factors affecting corporate financing can be used to guide enterprises to achieve more efficient financing, then this study is also of reference value for the current lack of economic growth.

After qualitative analysis, we can conclude that the size of the stock market in mainland China where the Shanghai and Shenzhen stock boards are located is not much different from that in Hong Kong, but from the number of listed companies, the Shanghai and Shenzhen regions are more active than the listing activities in Hong Kong; The environment is still not ideal. It is initially concluded that the mainland has a financing environment with equity financing bias, and the Hong Kong region has a financing environment with debt financing bias.

The development of the bond market in Hong Kong is perfect, the cost of issuing bonds is low, and a series of policy incentives make corporate financing biased towards debt financing; mainland China prefers equity financing because of the high cost of issuing bonds. It is necessary to balance the two financing methods, realize the efficient use of capital leverage while ensuring operational security, and realize the interconnection of financial markets between the two places. From the perspective of corporate financing environment, the mainland still needs to learn from Hong Kong's experience from the following aspects. Reform and guidance that is in line with national conditions:

First, improve relevant supporting measures. It is necessary to strengthen business ties between enterprises in the two places and guide mutual investment and financing activities. At the same time, in order to further promote financial cooperation between the mainland and Hong Kong, we should also implement a series of supporting measures, including promoting the transformation of the monetary policy framework, improving the macroprudential policy framework, reforming the fiscal and taxation system to achieve international integration of taxation policies, and improving the accounting legal system. The training of large international talents.

Second, strengthen financial regulatory cooperation and enhance risk prevention and control capabilities. The People's Bank of China should, in conjunction with relevant regulatory authorities, further strengthen communication, cooperation and information sharing with relevant departments such as the Hong Kong Monetary Authority, further expand the financial open space, strengthen monitoring and control of cross-border capital flows, and establish and improve financial risk prevention mechanisms. Prevent cross-border transmission of financial risks. At the same time, the principle of respecting market rules and improving the efficiency of supervision will be taken into consideration to promote the stability and development of the economy and finance of the mainland and Hong Kong.

Third, strengthen the credit rating mechanism and control risks. There is bound to be a risk in any capital market. The bond market is characterized by low risk, which is based on a strict regulatory and credit rating system. Strengthen the supervision of financial institutions and the credit rating of corporate bonds, protect the interests of investors, and allow investors to obtain comprehensive information about bond issuers, such as debt repayment ability and price rationality. Controlling the risk of the bond market not only fosters a sound bond market, prevents market collapse, but also attracts more potential investors.

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