Shares in China's Xiaomi dip on Hong Kong debut

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Chinese smartphone giant Xiaomi fell on its Hong Kong stock debut

Monday, following a long-awaited initial public offering overshadowed by China-US trade tensions and falling global markets.

Even before public trading started confidence was low, with investors selling at a discount on the unofficial "grey market" last week, Bloomberg News reported.

And on Monday it ended down 1.18 percent at HK$16.80, though that was much better than in mid-morning trade, when it was briefly down almost six percent.

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Founded in 2010 by entrepreneur Lei Jun, Xiaomi has grown from a start-up in Zhongguancun—China's "Silicon Valley"—to become the world's fourth-biggest smartphone vendor at the end of last year, according to International Data Corp.

Lei has described Xiaomi as a "new species" of company with what he describes as a "triathlon" business model combining hardware, internet and e-commerce services. Its products range from smart home gadgets like air purifiers to non-tech items such as pillows and ballpoint pens.

A delay in Xiaomi's plan to launch new so-called Chinese Depository Receipts (CDRs) in Shanghai as well as doubts about the sustainability of its business model were also among reasons for the lower valuation, analysts said.

Chinese authorities devised the CDR programme, under which homegrown companies listed abroad can simultaneously list at home, after watching technology heavyweights Alibaba and Baidu launch on

Wall Street.

The plan aims to help development of China's still relatively immature and volatile share markets and allow domestic investors to invest in the country's big tech champions.

Beijing-based Xiaomi is the first firm in Hong Kong to trade with a controversial dual-class structure since listing rules were overhauled to allow weighted voting rights for different sets of shareholders.

Analysts say Hong Kong's technology listings have struggled in recent months, deflating investor interest, while escalating trade tensions have made it a bad time to launch an IPO.

"Nothing can help because the sentiment is no good at the moment... Most of the IPOs listed this year were not that profitable," said Dickie Wong of Kingston Securities, adding he does not see any "upsides" until the CDR listing, which would boost interest.

But Mo Jia of Canalys said the IPO was a "must-go for them even though the current situation is not positive", as Xiaomi would need the cash for an ongoing global expansion as it looks to broaden its scope outside the saturated Chinese smartphone market.

And Jackson Wong, at Huarong International Securities, warned there could be repercussions for Hong Kong's IPO outlook, saying a tepid start for Xiaomi would suggest a weak appetite for new listings in the city.

"That would definitely make (other firms looking to list) look for other markets such as New York," he added.