

State-owned China Tower trades flat on Hong Kong debut

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State-owned China Tower—the world's largest operator of telecommunications towers—made its trading debut in Hong Kong

Wednesday in the latest high-profile listing in the city.

Shares were trading at HK\$1.28 (\$0.16) in the morning, only slightly up on their IPO price of HK\$1.26. They remained flat in afternoon trading at HK\$1.27.

China Tower is the world's largest IPO since Postal Savings Bank of China's \$7.6 billion offering in 2016, according to data compiled by Bloomberg.

But although Hong Kong's recent listings have grabbed headlines, investor confidence has been overshadowed by US-China trade tensions and falling global markets.

China Tower raised \$6.9 billion after pricing its initial public offering at the low end of the expected range.

The Beijing-based telecoms giant is the second prominent company to price at the low end recently, following Chinese smartphone maker Xiaomi's disappointing valuation in July.

Some observers say investors may see China Tower as a safe bet on the country's mobile market because of its government backing.

But others argue the state-backed monopoly could face limited growth due to lack of competition.

The muted trading price was "reasonable" given market conditions, said Jackson Wong of Huarong International Securities.

China Tower would enjoy favourable policies as a strategic asset, particularly given China's push for next-generation 5G wireless internet technology, and that would benefit investors in the future, said Wong.

While Wong described the stock as "old-economy and not really sexy", it could still be profitable to investors.

"It's a pretty simple business model and China is trying to push 5G so we should see dividend-paying very soon," he said.

Chinese telecoms companies Huawei and ZTE are poised to become global leaders in the 5G rollout, which is beginning this year in several countries.

However, they are likely to face severely tightened access to the US market over data security.

New player

The technology is heavily cloud-based, potentially leaving sensitive data accessible by the service provider.

Mo Jia, a Shanghai-based research analyst at Canalys, said China Tower is a relatively new player in this field and will need to deepen its technology and patent pool.

According to its listing document, China Tower said it would "research and develop new technologies and products of telecommunications tower infrastructure in response to the development needs from new technologies including 5G."

China Tower was established by China Mobile, China Unicom and China Telecom in 2014. They agreed to combine their tower assets by selling them to China Tower in 2015.

Speaking at Wednesday's launch in Hong Kong, China Tower chief executive Tong Jilu noted that the company had just celebrated its fourth

birthday.

"Today is our new milestone," he said of the stock debut.

Hillhouse Capital, affiliates of China National Petroleum Corp and Taobao—a subsidiary of Alibaba—are reported to be among the 10 cornerstone investors.

The company said at its IPO launch event in Hong Kong in July that "international companies and giant domestic companies" were among the cornerstone investors.

Hong Kong is seeking to become a destination for major IPOs after being snubbed by Alibaba's overseas listing in 2014.

Since then, listing rules have been overhauled to allow weighted voting rights for different sets of shareholders.

Xiaomi was the first firm in Hong Kong to trade with the controversial dual-class structure.

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