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Hong Kong & Mainland China News – April-2016

Mainland factory activity unexpectedly expands

By news.rthk.hk
Friday, April 01, 2016

The mainland's manufacturing activity unexpectedly expanded in March for the first time in nine months, an official survey showed on Friday, adding to hopes that downward pressure on the world's second-largest economy is easing.

The official Purchasing Managers' Index (PMI) rose to 50.2 in March, up from the previous month's 49 but still only marginally above the 50-point mark that separates growth from contraction on a monthly basis.

The February reading was the weakest since 2011. However some economists said the timing of the long Lunar New Year holiday that month might have distorted that figure.

Hopes that the long-suffering manufacturing sector may be bottoming out were fuelled by recent industrial profit data which showed combined earnings rose 4.8 percent in the first two months of the year from the same period in 2015, ending seven straight months of decline.

Some analysts said that improvement may be linked in part to a growing property market recovery and resulting increase in construction activity, boosting demand for building materials from cement to glass and steel. Cash-starved Chinese mills have also been exporting large amounts of steel products to maintain cash flow, sparking accusations of dumping from some of China's top trading partners.

In addition, global energy and commodity prices have staged a limited recovery in recent weeks, which may have bolstered flagging profits at oil and mining firms and reduced strains on their balance sheets.

China's real estate investment rose 3 percent in the first two months of 2016 in year-on-year terms, quickening from an increase of just 1 percent in all of 2015, though a huge overhang of unsold homes could keep further market gains in check.

Some analysts say business confidence also may have improved as fears of a sharp depreciation in the yuan currency have eased.

Adding to the upbeat mood, growth in China's services sector expanded strongly. The official non-manufacturing Purchasing Managers' Index (PMI) rose to 53.8 in March, up from the previous month's 52.7.

Forging ahead in world IPO field

By www.thestandard.com.hk
Wednesday, April06, 2016

The SAR remained the world's most popular destination for initial public offerings in the first quarter, with auditor PwC saying it raised HK$27.8 billion. That is 37 percent up on 12 months earlier.

London and Tokyo were a distant second and third, raising HK$20.6 billion and HK$10.6 billion, while IPO funds raised locally from January to March amounted to about 30 percent of the world total.

That Hong Kong took such a clear top position is due partly to China Zheshang Bank (2016) and Bank of Tianjin (1578). Together they raised more than HK$15 billion.

As for this year, PwC expects 100 new listings on the main board to raise HK$297 billion, with financial services firms showing up best.

Back on individual firms, Nameson Holdings, a mainland knitwear maker for Uniqlo, closed its retail book yesterday with its retail tranche 12 times oversubscribed.

But there were no margin orders for Guangdong-based, cold-rolled carbon steel processor Huajin International on its first day of retail bookbuilding. It requires an entry fee of HK$5009.98 for one board lot of 2,000 shares.

AIIB will discuss membership for Hong Kong, promises chief

By www.thestandard.com.hk
Friday, April 08, 2016

Asian Infrastructure Investment Bank president JinLiqun promised Hong Kong will have a special seat in the bank, saying its board will formally discuss whether to include the SAR as a member in June.

"Please trust us. We will count and solve the membership promise as soon as possible," Jin said at the AIIB Regional Cooperation forum yesterday. But he did not say yesterday whether the bank will set up a regional office here.

In operation for three months, the China-led bank so far has 57 members, mainly from developing Asian countries.

Jin said the bank will finance projects of the "one belt, one road" initiative to export China's infrastructure construction that meets its standards of cost efficiency, zero corruption and environment protection.

Hong Kong can help fill the gap between Asia's infrastructure needs of US$10 trillion (HK$78 trillion) in the next decade, and the US$1 trillion to US$1.5 trillion working capital of the bank with private funding, said Standard Chartered Hong Kong chief Benjamin Hung Pi-cheng.

He said the SAR can also provide safeguards to attract various investors such as pension funds and insurers.

Hong Kong Monetary Authority chief executive Norman Chan Tak-lam said it will help set up an Infrastructure Financing Facilitation Office for raising money for "one belt, one road" projects.

HK's position as financial hub secure: Chan

By news.rthk.hk
Sunday, April10, 2016

The Secretary for Financial Services and the Treasury, K C Chan, has dismissed worries that Hong Kong might lose its position as an international financial centre because it depends too much on the mainland.

Writing on his blog, Professor Chan said Hong Kong has become one of the world's leading financial centres because of its strengths, including its healthy asset market, established legal system and free flow of information.

He said the central government has made clear that it will support the development of Hong Kong's financial industry.

He said China remains one of the major forces in the world's economic development, and Hong Kong's position would be irreplaceable.

HK, Latvia sign tax pact

Byarchive.news.gov.hk
Wednesday, April 13, 2016

Secretary for Financial Services & the Treasury Prof KC Chan today signed an agreement on the avoidance of double taxation with Latvia in Riga.

Prof Chan said the agreement clearly sets out the allocation of taxing rights between Hong Kong and Latvia, which will help investors better assess their potential tax liabilities from cross-border economic activities.

"The agreement will bolster the economic and trade connections between the two places. It will also offer added incentives for companies in Latvia to do business or invest in Hong Kong, and vice-versa," Prof Chan added.

Under the agreement, tax paid in Hong Kong by Latvian residents will be allowed as a credit against the tax payable on the same income in Latvia.

Double taxation will be avoided in that any Latvian tax paid by Hong Kong companies will be allowed as a credit against the tax payable in Hong Kong on the same profits, subject to the provisions of the tax laws of Hong Kong.

Latvia's withholding tax rate on royalties, currently up to 23%, will be capped at 3%. Latvia's dividend and interest withholding tax on Hong Kong residents will be reduced from a maximum of 30% to a maximum of 10%.

Hong Kong airlines operating flights to Latvia will be taxed at Hong Kong's corporation tax rate, and will not be taxed in Latvia.

Profits from international shipping transport earned by Hong Kong residents that arise in Latvia will not be taxed in Latvia under the agreement.

This is the 35th comprehensive agreement for the avoidance of double taxation that Hong Kong has signed with its trading partners.

It will come into force after both sides complete ratification procedures.

Mainland's exports record a healthy jump

Bynews.rthk.hk

Wednesday, April 13, 2016

China’s exports surged at the fastest pace in a year in March, authorities said on Wednesday.

The 18.7 percent year-on-year increase in overseas shipments denominated in yuan came on the heels of a 21 percent slump in February.

Imports, however, continued to decline – slipping 1.7 percent on-year to 855.5 billion yuan, Customs said, while the trade surplus leaped to 194.6 billion yuan, more than 13 times the figure for the same month last year.

The data appeared more positive than expected, with a Bloomberg poll of economists predicting a 10 percent increase in exports in US dollar terms.

However, analysts warned against reading too much into the results. China economist Michelle Lam from Lombard Street Research told RTHK’s Altis Wong that the jump in the exports figure was due largely to the timing of the Lunar New Year.

“With the yuan still overvalued, I think it’s difficult to see a meaningful improvement over the next 12 months,” Lam said.

Customs said in a statement that while figures for the first quarter showed a yearly decline, seasonally adjusted monthly data were recovering.

"The import volume of major bulk commodities such as iron ore, crude oil, and copper maintained growth, while the prices of major import commodities remained low," it said.

During the first three months of the year, China's trade with the European Union, US and Asean all declined.

Mainland's GDP grows 6.7 percent in first quarter

Bynews.rthk.hk
Friday, April15, 2016

The mainland's economy grew 6.7 percent in the first quarter of 2016 - the slowest quarterly expansion in seven years.

The figure released by the National Bureau of Statistics (NBS) on Friday matched the median forecast of economists polled by AFP before the release, and was within the government's target of 6.5-7.0 percent for the year.

Industrial output rose 6.8 percent in March, the NBS said, accelerating from the previous month and beating expectations in a positive signal for the economy.

The economy saw "sound development" in the first quarter, the NBS said in a statement, adding that the figures showed "positive changes on major indicators". But it cautioned: "We must be aware that we are in a critical stage of transformation and upgrading, as well as replacing old drivers of growth with new ones".

Retail sales rose 10.5 percent year-on-year in March, while fixed asset investment rose 10.7 percent in the first quarter compared to the same period in 2015. The output, sales and investment figures all came in ahead of expectations in a Bloomberg News poll.

But the NBS said that "difficulties on structural adjustment persist and downward pressure on the economy cannot be ignored".

Shenzhen connect closer

Bywww.thestandard.com.hk
Thursday, April21, 2016

Chinese officials may announce the approval of the stock-trading connection between Shenzhen and Hong Kong exchanges in the next two months, according to insiders.

Official approval and a starting date for the connect, which would be the second link between the mainland and the city, may be unveiled before July, said the people, possibly to coincide with one of several events taking place in the coming months.

One such event is the visit next month of Zhang Dejiang, a member of the seven-strong politburo standing committee, according to the people.

The Shenzhen stocks link will let offshore investors access many of the mainland's technology and high-growth shares.

Premier Li Keqiang said in March that the country will seek to start the link this year.

An announcement before MSCI's review of whether to include Chinese companies in its emerging markets' indexes is another option, as is granting approval and revealing the date before the July 1 anniversary of the Hong Kong handover, said the insiders. An official approval of the link may not include a commencement date, said the people.

In response, Hong Kong Exchanges and Clearing (0388) chief executive Charles Li Xiaojia said he has no news on the launch of the new stock connect, while Shenzhen Stock Exchanges said there is no telling when the launch will take place.

Chief executive Leung Chun-ying said the government is actively preparing to make sure the stocks' link can be launched as soon as possible.