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# Hong Kong & Mainland China News – Aug-2020

## Tencent's 33b yuan income beats expectations

by www.thestanadard.com.hk
Thursday, Aug 13, 2020

Tencent (0700) boosted revenue at the fastest pace in two years, defying an economic downturn in China as it prepares to face a ban on its WeChat messaging app by US President Donald Trump.

Sales rose 29 percent to 114.9 billion yuan (HK$128.3 billion) in the three months ended June, beating estimates with a surge in online gaming revenue.

It reported a net income of 33.1 billion yuan, beating the highest of analysts' projections, thanks to a gain of more than 8.6 billion yuan from asset disposals and valuation gains in its portfolio of investments.

Shares in Prosus NV, which holds the internet assets of major shareholder Naspers, gained about 3 percent in Amsterdam.

China's biggest social media company has benefited from an internet resurgence during Covid-19, though it still faces a US ban on its WeChat service with potentially far-ranging impact.

While Tencent didn't address that sanction in its earnings outlook, executives will seek to reassure analysts on a call later it can withstand a White House campaign that's already ensnared Huawei Technologies and dozens of Chinese up-and-comers.

Tencent is focusing on its core home market amid growing foreign hostility. It won approval from Beijing to earn money from Call of Duty Mobile, the smartphone version of a long-running franchise that will underpin its gaming business, and has charted a line-up of new titles for 2020 to shore up resilient franchises Peacekeeper Elite and Honor of Kings.

New titles like Brawl Stars drove a 40 percent surge in online gaming revenue during the quarter - its biggest increase since 2017. It's also driving discussions to merge US-listed Huya and DouYu International to create a Twitch-like US$10 billion (HK$70.8 billion) local leader in games streaming. Tencent has already folded Huya's results into its own, swelling both its top and bottom line.

One risk to its outlook was the surprise delay of Mobile Dungeon&Fighter, though analysts expect eventual approval for a Nexon title that's supposed to be Tencent's tent-pole for the second half.

"Although the direct revenue impact is small, Mobile DnF's delay and the WeChat ban in the US cast a shadow over the near term outlook," Bernstein analyst David Dai said.

China's number two company had gone on a tear, gaining more than US$280 billion of market capitalization since a March trough, before US President Donald Trump signed an executive order labeling WeChat a national security risk.

## HK, Macau tax pact in force

by www.news.gov.hk
Thursday, Aug 20, 2020

The pact between Hong Kong and Macau to avoid double taxation has come into force after the completion of the relevant approval procedures, the Government announced today.

The Comprehensive Avoidance of Double Taxation Arrangement, signed in November 2019, will be in effect in Hong Kong in respect of taxes on income derived for any year of assessment starting on or after April 1, 2021.

Macau was Hong Kong's 19th largest trading partner in 2019.

The tax pact will bring about a greater degree of certainty on tax liabilities for those who engage in cross-boundary business activities. It will also help boost bilateral trade and investment activities.

# Alibaba profit surges 124pc to 47b yuan

by www.thestanadard.com.hk
Friday, Aug 21, 2020

Chinese e-commerce giant Alibaba (9988) beat quarterly revenue and profit estimates yesterday as its core commerce and cloud computing businesses benefited from the coronavirus-led shift to online shopping and working from home.

Alibaba saw revenue rise 34 percent to 153.75 billion yuan (HK$172.23 billion) for the quarter ended June, while its net profit surged 124 percent to 47.59 billion yuan. Both the figures surpassed median projections - 148.1 billion yuan and 36.2 billion.

Ant Group, Alibaba's 33 percent-owned financial affiliate, saw profit increase six-fold to 9.2 billion yuan during the quarter, offering a glimpse into its books in the run-up to a mega initial public offering in Hong Kong and mainland China.

Alibaba's shares opened 1.5 percent lower in New York last night.

"Our domestic core commerce business has fully recovered to pre-Covid-19 levels across the board," chief financial officer Maggie Wu Wei said.

The company's core commerce reported a 34 percent growth in revenue to 133.32 billion yuan. Its annual active consumers in China grew 16 million to 742 million. Revenue from cloud computing surged 59 percent to 12.35 billion yuan.

Revenue from innovation initiatives and others fell 6 percent to 1.09 billion, as it reclassified revenue from self-developed online games business to the digital media and entertainment segment. The digital media and entertainment sector saw revenue climb 9 percent to 6.99 billion yuan.

At the same time, Alibaba needs to fend off growing competition from the likes of JD.com (9618), Tencent (0700) and ByteDance across businesses spanning online retail to food delivery and cloud computing.

Alibaba is one of the big businesses seen as a potential target if US President Donald Trump makes further moves against Chinese companies, following restrictions on Chinese-owned video platform TikTok and Tencent's WeChat.

"Today, we face uncertainties from not only the global pandemic but also increasing tensions between the US and China," chief executive Daniel Zhang said.

"We are closely monitoring the latest shift in US government policies toward Chinese companies, which is a very fluid situation," Zhang said.

# Ant files for blockbuster US$30b dual IPO

by www.thestanadard.com.hk
Wednesday, Aug 26, 2020

Ant Group, the fintech company backed by Alibaba (9988), filed for a dual listing in Hong Kong and in Shanghai's Nasdaq-style STAR Market yesterday.

That could raise about US$30 billion (HK$234 billion) in October.

Ant, which owns China's dominant mobile payment platform, Alipay, will use proceeds to expand cross-border payments and to enhance its research and development capabilities, according to the filing, which did not include a share price range or state the amount it intends to raise in the IPO.

The simultaneous listing could mark one of the biggest debuts in years and even top Saudi Aramco's record US$29-billion IPO.

The firm is targeting a valuation of about US$225 billion based on an initial public offering of about US$30 billion if markets are favorable.

The dual listing could take place in October, sources said.

Ant Group said first-half revenue grew over 38 percent year-on-year to 72.5 billion yuan (HK$81.2 billion). Net profit rose nearly 12 times to 21.9 billion yuan in the same period.

And its Alipay operation had 711 million monthly active users as of June, with payment volumes reaching 118 trillion yuan in the mainland.

More than 80 million merchants used Alipay to conduct business, and Ant partnered with more than 2,000 financial institutions.

But Ant has warned that its business may be affected adversely by new initiatives in the payment industry in China.

For example, the government will launch trials of its digital currency in some developed regions, and Ant said it is unclear how the e-currency will fit into or change the current industry landscape.

Ant picked China International Capital Corp (3908), Citigroup, JPMorgan, and Morgan Stanley for its Hong Kong offering.

Hutchison Whampoa Europe Investments, a subsidiary of CK Hutchison (0001), CK Asset's (1113) Active Noble, and Domenick, owned by three children of former Hong Kong leader Tung Chee-hwa, are among offshore pre-IPO investors.

As for Ant's largest shareholder, that is Alibaba with a 33-percent stake. And Alibaba founder Jack Ma Yun, who controls Hangzhou Yunbo, the general partner of both Hangzhou Junhan and Hangzhou Junao, holds 50.5 percent of Ant's shares. Ma has pledged to donate some economic interests from Yunbo to charitable organizations, involving 611 million shares.

# July industrial profits rise, but tumble in seven months

by www.thestanadard.com.hk

Thursday, Aug 27, 2020

Profits of China's major industrial firms in July totaled 589.5 billion yuan (US$85.56 billion), increasing by 19.6 percent year-on-year, data from the National Bureau of Statistics (NBS) showed today, XInhua reports.

The growth widened by 8.1 percentage points from that in June, said NBS senior statistician Zhu Hong.

In the first seven months of the year, the profits of major industrial firms declined by 8.1 percent to 3.1 trillion yuan, narrowing 4.7 percentage points from that in the first six months.

Specifically, profits of state-owned industrial firms dropped by 23.5 percent from one year earlier to 783.81 billion yuan, while those of private ones shrank 5.3 percent on-year to 888.34 billion yuan.

During the period, profits of the mining industry slumped 41.6 percent, and manufacturing industry profits decreased by 4.5 percent.

Profits in 12 of the 41 surveyed industrial sectors rose compared with one year earlier, while 29 sectors saw their profits fall, according to the NBS.

Major industrial companies refer to those with an annual business turnover of at least 20 million yuan.

## HK, Serbia sign tax pact

by www.news.gov.hk
Friday, Aug 28, 2020

Secretary for Financial Services & the Treasury Christopher Hui signs a comprehensive avoidance of double taxation agreement with Serbia.

The Government today said Hong Kong has signed a comprehensive avoidance of double taxation agreement (CDTA) with Serbia, signifying its sustained efforts in expanding the city's tax treaty network.

Signing the agreement on behalf of the Government, Secretary for Financial Services & the Treasury Christopher Hui said Serbia is one of the emerging economies taking part in the Belt & Road Initiative, which brings about vast business opportunities.

"The agreement will promote economic and trade connections between Hong Kong and Serbia, and offer additional incentives for the business sector of both sides to do business or make investments."

This is the 44th CDTA that Hong Kong has concluded. It sets out the allocation of taxing rights between the two jurisdictions and will help investors better assess their potential tax liabilities from cross-border economic activities.

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

Likewise, for Serbian companies, the tax paid in Hong Kong will be allowed as a deduction from the tax payable on the same income in Serbia.

The agreement also provides tax relief arrangements.

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

## Beijing says edging closer to trade deal with EU

by www.news.rthk.hk
Monday, Aug 31, 2020

Foreign Minister Wang Yi said on Sunday in Paris that a China-EU investment deal could be reached by the end of the year.

His remark came against a backdrop of persistent diplomatic tension between Beijing and the United States.

Wang said Europe and China had a responsibility to work for "a more stable world" that would benefit from an agreement that has been in the works for several years.

"We have the possibility to conclude one by the end of the year. We each need to take a step towards the other," the minister told a conference organised by the French Institute for International Relations (IFRI).

Wang is visiting European capitals to reinforce ties as relations with the US remain tense.

Chinese and European experts have been working for seven years on a deal to protect foreign investments, reinforce respect for intellectual copyrights, end obligations to transfer technology and subsidies for Chinese public enterprises.

The US is also trying to establish more balanced economic ties with China, but those efforts are struggling to make headway.

In June, European Commission president Ursula von der Leyen said that work on an agreement with the European Union had become "difficult" and warned: "We need more ambition on China's part to wrap up an agreement by the end of the year."

## Yuan at highest level in over a year on weak dollar

by www.news.rthk.hk
Monday, Aug 31, 2020

China's central bank lifted its official yuan midpoint to the highest in 13 months on Monday to reflect persistent weakness in the US dollar on global markets.

The People's Bank of China (PBOC) set the midpoint rate at 6.8605 to the dollar prior to the market opening, 0.42 percent firmer than the previous fix of 6.8891 on Friday. The rate is the strongest since July 2, 2019.

However, the fixing was not set as high as the market had expected. It was 55 pips weaker than a Reuters estimate of 6.8550 per dollar.

The move in Monday's official guidance rate was the biggest one-day strengthening in percentage terms since August 6.

The dollar was poised to register its fourth consecutive monthly decline, its longest streak since the summer of 2017.