Hong Kong & Mainland China News – June-2018

Chinese manufacturing defies the odds

By www.thestandard.com.hk
Friday, June 1, 2018

China's vast manufacturing sector grew at the fastest pace in eight months in May, blowing past expectations and easing concerns about an economic slowdown even as risks from trade tensions with the United States and a crackdown on debt point to a bumpy ride ahead.

The official Purchasing Managers' Index (PMI) released yesterday rose to 51.9 in May, from 51.4 in April, and remained well above the 50-point mark that separates growth from contraction for the 22nd straight month.

Analysts surveyed by Reuters had forecast the reading would dip slightly to 51.3.

Production expanded at the fastest rate in six months in May while growth in new orders rose to an eight-month high, helped by rising commodities prices. The strong manufacturing sector readings defy concerns about an expected loss of momentum in the world's second-biggest economy, as policymakers navigate debt risks and rocky trade relations with the United States.

In particular, export orders improved from the previous month. Some economists suspect that Chinese firms have been front-loading shipments due to the Sino-US trade frictions.

On the whole, however, economists were skeptical of the sustainability of industrial sector strength, suggesting the broader economy will face pressure over coming months.

"We doubt this strength will be sustained for long given that it appears to mostly reflect a temporary boost to industrial output from the easing of pollution controls rather than a turnaround in underlying demand," said Julian Evans-Pritchard, senior China economist at Capital Economics, in a note after the data release.

Nomura analysts were also of the view the strong PMI readings will be short-lived, saying "the growth of end-demand, such as infrastructure and property investment, has slumped in recent months, due at least in part to the government's deleveraging efforts."

Beijing has been tightening controls on riskier investments, the shadow banking business and speculation in the property sector, but has been keen to keep the broad economy well funded.

The industrial sector, a key source of jobs, remained in healthy shape, with profits growing at their fastest pace in six months, underpinned by continued strength in the steel sector. But the latest survey showed that more manufacturers were concerned about tightening in funding over recent months, with 40.1 percent of all firms polled raising the issue in May, according to Zhao Qinghe, an official with the statistics bureau. "Big cost pressure is still one of the major problems facing Chinese manufacturers these days," said Zhao.

Activity of small firms contracted in May after expanding the previous month while both big and medium-sized companies all posted positive growth.

Hi-tech manufacturing activity rose to 54.8 in May, up from April's 53.8, despite pending US tariff list under its intellectual property probe and restrictions on Chinese investments in the United States.

FS boosts ties with Ireland

By www.news.gov.hk
Friday, June 1, 2018

Financial Secretary Paul Chan has started his three-day Dublin trip to boost economic co-operation between Hong Kong and Ireland.

Mr Chan began his visit by meeting representatives from Irish fintech companies already operating in Hong Kong or looking to establish themselves in the city.

He updated them on the latest efforts to support the development of fintech and encouraged them to make use of Hong Kong's platform in expanding their operations in the city, the Mainland and Asia.

He then met Hong Kong people living in Dublin to learn more about their daily lives.

In a seminar organised by Invest Hong Kong and Enterprise Ireland, Mr Chan introduced Hong Kong's latest developments in fintech and the aircraft leasing business.

He said Hong Kong's ever-deepening economic integration with the Mainland, including the Belt & Road Initiative and the Guangdong-Hong Kong-Macao Bay Area development, will bring more opportunities unavailable elsewhere.

Hong Kong and Ireland can work together in capitalising on the massive opportunities ahead, he added.

Also attending the seminar was Irish Minister of State for Trade, Employment, Business, EU Digital Single Market & Data Protection Pat Breen.

Mr Chan then met the Governor of the Central Bank of Ireland Philip Lane and discussed the global economic outlook and maintaining financial stability.

Along with the Minister of State at the Irish Department of Finance and the Department of Public Expenditure & Reform Michael D'arcy, he later attended a cocktail reception and dinner to mark the launch of direct flights between Hong Kong and Dublin.

Mr Chan said the flights, which launch this month, will further strengthen the close cultural, tourism and trade ties between the two places.

Green bond resolution to be broached

By www.news.gov.hk
Wednesday, June 6, 2018

A resolution will be tabled at the Legislative Council to implement the Government Green Bond Programme.

The resolution will authorise the Government to borrow sums of up to $100 billion to implement the programme.

Subject to LegCo deliberation, the Government will move the resolution in the council on June 27.

Secretary for Financial Services & the Treasury James Lau today said: "The programme will help promote the development of green finance in Hong Kong by encouraging issuers to arrange financing for their green projects through our capital markets.

"It should also raise investor awareness and the local green investor base will grow as a result of our efforts.

"Global investments in environmental projects grew rapidly in recent years.

"I have every confidence the financial services industry will seize the opportunities in green financing, and help consolidate Hong Kong's status as an international financial centre and develop Hong Kong into a regional green finance hub."

Sums raised under the programme will be credited to the Government's Capital Works Reserve Fund for funding public works projects with environmental benefits.

The programme will align with guidelines or standards widely accepted by global investors for green bond issuance.

The borrowing ceiling is proposed to be set at $100 billion to promote the sustainable development of green finance in Hong Kong.

The Monetary Authority will help implement green bond issuance under the programme.

Mr Lau added: "Subject to LegCo's approval for the resolution, we will implement the programme as soon as possible to facilitate the inaugural government green bond issuance within this financial year."

The green bond initiative was announced by the Chief Executive in the 2017 Policy Address to promote green finance development in Hong Kong.

China ups game in high-tech IPO battle with HK

By www.thestandard.com.hk
Wednesday, June 6, 2018

China is trying to keep its most promising companies from going public in Hong Kong or the United States, with officials studying a new trading venue in Shanghai that would have lower thresholds for biotechnology and high-tech firms, people with knowledge of the matter said.

Government entities including the China Securities Regulatory Commission and Ministry of Science and Technology are studying the proposal, said the people, who asked not to be named discussing private information.

The new market, which might waive earnings and revenue requirements, would operate at the Shanghai Stock Exchange, the people said.

The talks are the latest example of Chinese authorities looking at ways to boost the domestic market, which has in recent years seen businesses worth more than US$1 trillion (HK$7.8 trillion) head to overseas exchanges. Regulators are drawing up rules for Chinese depository receipts that would allow companies such as Alibaba Group Holding to list shares onshore, and efforts are underway to encourage homegrown large tech firms, known as unicorns, to debut in Shanghai or Shenzhen.

China's biotech and high-tech venue could open as early as next year, according to the people. The market may have minimum investor thresholds to prevent some individuals from investing in risky startups, they said.

Biotech firms without a track record of revenue or profits can list in Hong Kong under rules that took effect in April. The change is part of a broader effort by Hong Kong Exchanges & Clearing (0388) to attract technology-focused firms and compete head-to-head with US markets for initial public offerings.

Meanwhile, Singapore-based internet provider MyRepublic Group is weighing an IPO in Hong Kong as early as December 2019 to fund expansion of its cloud-based broadband and mobile platform.

The company has raised US$150 million in capital, including a US$60 million injection from Singapore family office Kamet Capital Partners and CLSA's asset management arm, according to Chief Executive Officer Malcolm Rodrigues. MyRepublic may add to that total in its latest round of private funding, he said.

While the company is planning for a Hong Kong IPO in 18 to 24 months, it has not yet appointed a bank to advise on the listing, MyRepublic spokesman said.

Sixteen Singapore-based companies chose to list in Hong Kong last year, raising more than US$800 million.

HK retail sales on course to hit HK$484b

By www.thestandard.com.hk
Thursday, June 21, 2018

Retail sales in Hong Kong will rise by 8 percent to HK$484 billion this year, a professional services firm predicted today.

PricewaterhouseCoopers said the rebound last year is expected to continue through the rest of this year.

PwC also forecast that retail sales will surpass its 2013 peak of HK$494 billion by 2020.

Michael Cheng, Asia Pacific and Hong Kong/China Consumer Markets Leader for PwC said many factors contribute to a positive outlook.

These factors include the all-time high mainland tourists arrivals in the first four months – March and April both individually hit record high, as well as a robust wealth effect and an improvement in consumer sentiment.

In the four months to April, mainland Chinese visitors surged to a record high of 16 million.- The Standard

Xiaomi seeks to raise US$6bn in Hong Kong IPO

By news.rthk.hk
Saturday, June 23, 2018

Xiaomi Corp. said it seeks to raise up to US$6.1 billion in its initial public offering next week that would value the Chinese smartphone maker at as much as US$70.3 billion.

The details of the Hong Kong IPO released on Saturday show the Beijing-based company will raise less than an earlier expectation of up to US$10 billion that would have valued the company at US$100 billion. But it will still be among the biggest tech IPOs since Chinese e-commerce giant Alibaba raised US$21.8 billion in 2014.

Xiaomi shares will start trading on the stock exchange in Hong Kong on July 9, after a public offering of 2.2 billion shares to institutional investors next week at between HK$17 to HK$22 (US$2.2 to US$2.8) per share.

The eight-year-old company that also makes robot vacuum cleaners, air purifiers and TVs is a star among Chinese unicorns, a startup valued at more than $1 billion.

The IPO means Xiaomi is stepping up its game in international markets while trying to reduce its revenue reliance on smartphone sales, which accounted for 70 percent of the company's revenue in 2017.

The proceeds from the public offering will provide cash for the company's global expansion as well as strengthening its mobile internet services and artificial intelligence.

The company said one third of its proceeds will fund Xiaomi's hardware research and development, another third will finance its global expansion and the rest will be used to strengthen internet ecosystem for its connected devices, called the internet of things, or IoT.

The Mi series smartphones helped drive Xiaomi's quick rise with their ultra-cheap prices and competitive quality but stagnant growth in the smartphone market, especially in developed countries, means Xiaomi needs new revenue sources outside its "higher quality half the price" smartphone business model.

"Xiaomi targets the revenue proportion from IoT services to increase to 40 to 50 percent in the coming eight to 10 years," Jun Lei, the co-founder and chief executive at Xiaomi, told reporters.

In 2017, those services accounted for less than 30 percent of the company's revenue.

Banks in HK grew assets by 8.1pc last year, survey shows

By www.thestandard.com.hk
Saturday, June 23, 2018

Banks in Hong Kong reported strong profits last year and are looking to reinvest in technology and innovations to drive growth and remain competitive, a report by KPMG.

The total assets of top 10 local banks grew by 8.1 percent, compared with 5.6 percent growth in 2016, while the operating profit before impairment charges increased by 13 percent year-on-year to HK$229 billion, says the report.

US interest rates increases would lead to higher margins across the sector, said Paul McSheaffrey, Hong Kong head of banking and capital markets of KPMG China.

Despite the challenges risk management and the increasing staff costs and other expenditure, the overall performance of banks in the first half of this year will be better than that of last year, added Rita Wong, the financial services partner of KPMG China.

She attributes this to the better performance of non-performing loans and the widening net interest margin.

The total loans and advances of all surveyed banks increased by 14.9 percent year-on-year to HK$8.46 trillion last year.

The main drivers were the opportunities arising from the Belt and Road Initiative and the development of the Greater Bay Area, as well as strong demand in the property market, said Wong.

May exports up 15.9%

By www.news.gov.hk
Saturday, June 26, 2018

The value of Hong Kong's total exports of goods rose to $351.4 billion in May, up 15.9% on the same month last year, the Census & Statistics Department announced today.

It followed an increase of 8.1% in April.

The value of imports jumped 16.5% to $394.6 billion for May, after a year-on-year increase of 11.1% in April.

A trade deficit of $43.2 billion, or 11% of the value of imports, was recorded in May.

Comparing the three-month period ending May with the preceding three months on a seasonally adjusted basis, the value of exports increased 3.5%, while that of imports rose 4%.