

Hong Kong & Mainland China News – Jun-2020

HK-ASEAN pact to take effect

by www.news.gov.hk

Wednesday, Jun 03, 2020

The commitments relating to Hong Kong and Indonesia, an Association of Southeast Asian Nations (ASEAN) member state, under the trade and investment agreements between Hong Kong and ASEAN will enter into force on July 4.

Tariff reduction commitments under the Free Trade Agreement cover various kinds of Hong Kong commodities, including jewellery, apparel and clothing accessories, watches and clocks, and toys.

Hong Kong service providers will enjoy better business opportunities and legal certainty in market access for different services sectors in Indonesia, such as business and tourism and travel related services that have traditional strengths or potential for development.

Upon the Investment Agreement's implementation, Indonesia will provide Hong Kong enterprises investing in its area with fair and equitable treatment of their investments, physical protection and security of their investments, and the assurance on the free transfer of their investments and returns.

So far, the commitments relating to the seven ASEAN member states of Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam have taken effect.

The dates of entry into force for the remaining two ASEAN member states of Brunei Darussalam and Cambodia, will be announced as soon as they are confirmed.

Gov't to invest in Cathay Pacific

by www.news.gov.hk

Tuesday, Jun 09, 2020

The Government will invest in Cathay Pacific Airways to protect Hong Kong's role as a leading international aviation hub in the region as well as the city's long-term economic development, Financial Secretary Paul Chan said today.

Speaking to reporters this afternoon, Mr Chan noted that governments around the world have provided different forms of support to major airlines in the face of COVID-19.

The Financial Secretary explained that the Government will invest about \$27.3 billion in Cathay Pacific, comprising preference shares with detachable warrants of around \$19.5 billion and a bridging loan of about \$7.8 billion.

The government investment in Cathay Pacific, to be made through the Land Fund, will also generate a reasonable return for the Government, he pointed out.

“Based on the assessment of the external financial consultant engaged by the Monetary Authority, the projected return of this investment, in terms of internal rate of return, is expected to range from 4% to 7.5%, higher than the six-year moving average of 3.7% of the investment portfolio of the Exchange Fund.

“To safeguard the best interest of the Government, we will appoint two observers to the Cathay Group's Board of Directors until the Cathay Group redeems all preference shares from the Government and repays the Government in full the bridging loan with related interests.”

HK ranked 5th in competitiveness

by www.news.gov.hk
Tuesday, Jun 16, 2020

Hong Kong was ranked the fifth most competitive economy by the International Institute for Management Development in its World Competitiveness Yearbook 2020.

The institute attributed Hong Kong's lower ranking, down from second last year, to a decline in economic performance, social turmoil as well as the rub-on effect of the Chinese economy.

Commenting on the lacklustre economic performance and social unrest last year that affected Hong Kong's ranking, the Government said certain survey indicators of the report showed that survey respondents were deeply concerned about Hong Kong's social and political stability.

In view of the emerging threats and organisations advocating Hong Kong independence, it is clear that without adequate safeguards for national security, Hong Kong's stability will be at risk, it emphasised.

It is thus critical, essential and urgent for the National People's Congress to take the decision to establish and improve the legal system and enforcement mechanisms for the Hong Kong Special Administrative Region to safeguard national security from the state level in accordance with the Constitution of the People's Republic of China and the Basic Law.

The Government noted that the national security legislation will ensure the continuous successful implementation of the "one country, two systems" principle and help maintain an environment that is conducive to business and investment, thereby safeguarding the prosperity and stability of Hong Kong.

It added that the Hong Kong SAR Government is committed to enhancing the competitiveness and vibrancy of the city's economy and has every confidence in Hong Kong's long-term economic development.

Yum China files for US\$2b stock sale in HK

by www.thestandard.com.hk

Friday, Jun 19, 2020

Yum China Holding has filed confidentially for a Hong Kong listing that could raise about US\$2 billion, according to people familiar with the matter, joining other U.S.-traded Chinese companies seeking share sales in the financial hub, Bloomberg reports.

The restaurant operator running outlets of U.S. brands including KFC, Pizza Hut and Taco Bell in China submitted a stock listing application to the Hong Kong exchange in recent weeks, the people said, asking not to be identified because the information is not public.

The New York-listed company has been working with China International Capital Corp. and Goldman Sachs Group Inc. on preparations for the share sale, Bloomberg News reported in January.

Earlier, Chinese online retailer JD.com raised US\$3.9 billion in its Hong Kong listing Thursday, while gaming company NetEase Inc. raised US\$2.7 billion for its Hong Kong share sale on June 11.

Fitch downgrades Hong Kong to ‘AA-’ with stable outlook

by www.thestanadard.com.hk

Monday, Jun 22, 2020

Fitch Ratings has downgraded Hong Kong’s rating to ‘AA-’ and the outlook reverts to stable.

Fitch Rating says that Hong Kong’s economy is facing a second major shock from the coronavirus pandemic after prolonged social unrest in 2019.

Social distancing efforts to contain the virus have led to a contraction in economic activity and a rise in unemployment, prompting policymakers to announce the most expansionary budget in the territory’s history. These challenges have compounded negative rating trends already in place from the reputational damage that anti-government protests were inflicting on perceptions of Hong Kong’s business environment and political stability.

Fitch forecasts the economy fall by 5 percent in 2020.

In April 2020, the government announced a further round of economic relief measures totalling HK\$137.5 billion, which follows the HK\$120 billion presented during the budget speech for the fiscal year 2020/21.

Fitch forecasts this year’s budget deficit will rise to 11 percent of GDP, more than double the previous post-handover record, and up from an estimated deficit of 1.5 percent in 2019. As a result, fiscal reserves will fall to 30 percent of GDP by the end of the financial year in 2020.

Hong Kong’s deep-rooted socio-political cleavages remain unresolved in Fitch’s view.

A signal from the US of a possible change in its long-standing policy towards Hong Kong - following the announcement of plans by the central government to enact national security legislation - could heighten uncertainty and dampen investor sentiment, but on its own is unlikely to introduce further downward rating pressure as long as Fitch remains confident the city will retain a high degree of autonomy over its most salient macro-institutional features such as an independently managed currency, fiscal framework, financial regulation, and the foundations of its business environment.

Meanwhile, China received an ‘A+’ ratings with a stable outlook, underpinned by its external finance and macro strengths.

Fitch expects the government’s fiscal plans to push the general government deficit to 11 percent of GDP this year, up from around 5 percent in 2019.

China’s economy is expected to grow by just 0.7 percent this year, following a 6.8 percent year-on-year contraction in the first quarter of 2020.

The rating agency says the forecast is subject to considerable uncertainty, including the possibility of further disruptive outbreaks of coronavirus, as well as sustained weakness in external demand as a result of the global recession.

Wealth connect scheme welcomed

by news.gov.hk
Monday, Jun 29, 2020

The People's Bank of China and the monetary authorities of Hong Kong and Macau will jointly implement the two-way cross-boundary wealth management connect pilot scheme in the Guangdong-Hong Kong-Macao Greater Bay Area, the Monetary Authority announced today.

Under Wealth Management Connect, residents in Hong Kong, Macau and nine cities in Guangdong can carry out cross-boundary investment in wealth management products distributed by banks in the bay area.

Welcoming the joint announcement by the three bodies on the initiative, the Hong Kong Special Administrative Region Government said Wealth Management Connect is an important measure for the bay area's financial development and a milestone in promoting mutual access of financial markets in the area.

According to the announcement, relevant regulators in the Mainland, Hong Kong and Macau will discuss and agree on implementation details including the scope of eligible investment products, investor eligibility, investment mode, investor protection and handling of disputes.

The date of Wealth Management Connect's formal launch and implementation details will be separately specified.

Chief Executive Carrie Lam said the launch of initiative demonstrates the strong support of the central government and the importance it attaches to financial development in the bay area, underlining the solid backing from the nation and the leading role Hong Kong continues to play in the country's economic development and opening up of financial markets.

"With the formulation of the national security law, Hong Kong will restore its stability, rule of law and sound business environment, thereby securing investors' confidence and further consolidating and enhancing Hong Kong's position as an international financial centre," she added.

Financial Secretary Paul Chan said Wealth Management Connect brings enormous business opportunities to the entire financial industry value chain and other professional services in Hong Kong, opens up a broader market for the financial sectors of the three places and provides more wealth management product choices for bay area residents.

Mr Chan explained that the scheme will promote cross-boundary flow and use of renminbi and further reinforce the city's position as the global offshore RMB business hub.

"At the same time, Wealth Management Connect provides more incentives for international financial institutions to have a foothold and invest more resources in Hong Kong so as to serve the large investor base in bay area cities, which will in turn strengthen Hong Kong's role as the international asset and management centre and important gateway for capital flowing into and out of the Mainland."

The central government promulgated the Opinion on Providing Financial Support for the Development of the Guangdong-Hong Kong-Macao Greater Bay Area on May 14, introducing various concrete measures, including Wealth Management Connect in relation to the development of the bay area's finance.

The Hong Kong SAR Government emphasised that it will continue to promote and implement in an orderly manner further measures in the opinion to deepen financial collaboration in the bay area.

China industrial profits rise 6pc

by www.thestanadard.com.hk

Monday, Jun 29, 2020

Profits at China's industrial firms rebounded in May for the first time since November 2019, signaling the economy is continuing to recover from the coronavirus shutdowns.

Industrial profits rose 6 percent to 582.34 billion yuan (HK\$638 billion) last month from a year earlier, compared with a decline of 4.3 percent in April.

Meanwhile, China's securities regulator plans to grant investment banking licenses to commercial lenders as part of efforts to breed industry behemoths in the face of fiercer foreign competition, business magazine Caixin reported.

A pilot scheme could involve at least two of China's largest banks, The Industrial and Commercial Bank of China (1398) and Citic Securities (6030), getting the green light from the China Securities Regulatory Commission to conduct investment banking business on the mainland.

China's June factory activity picks up pace

by www.thestanadard.com.hk

Tuesday, Jun 30, 2020

China's factory activity expanded at a stronger pace in June, as the economy continues to recover after the government lifted lockdowns and ramped up investment, but export orders remained weak as the global coronavirus crisis shatters demand.

The official manufacturing Purchasing Manager's Index (PMI) came in at 50.9 in June, compared with May's 50.6, National Bureau of Statistics (NBS) data showed today, and was above the 50.4 forecast in a Reuters poll of analysts.

The 50-point mark separates expansion from contraction on a monthly basis.

The uptick was underpinned by the quickening pace of expansion in production, which grew to 53.9 in June from 53.2 the previous month.