

## **Hong Kong & Mainland China News – November-2019**

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### **China's October factory orders pick up, private survey shows**

by [www.thestandard.com.hk](http://www.thestandard.com.hk)

Friday, November 1, 2019

China's factory activity unexpectedly expanded at the fastest pace in well over two years in October as new export orders increased and plants ramped up production, a private business survey showed today.

The Caixin/Markit Manufacturing Purchasing Managers' Index (PMI) for October rose to 51.7 from 51.4 in September, marking the third straight month of expansion. Economists polled by Reuters had expected a dip in growth to 51.

The 50-mark separates expansion from contraction on a monthly basis. The pace of improvement in September was the quickest seen since February 2017, when it was also 51.7.

"Both domestic and foreign demand improved substantially," said Zhengsheng Zhong, director of macroeconomic analysis at CEBM Group.

New export orders for Chinese manufacturers bounced back into expansionary territory for the first time in five months even as a long trade war between the United States and China wears on.

This was likely due to the United States choosing to temporarily exempt more than 400 types of Chinese products from additional tariffs in September, Zhong said

The Caixin survey showed that total new orders increased at the fastest clip in over six years, while growth in production picked up to the highest since the end of 2016.

The better-than-expected results stand in contrast with an official survey yesterday, which showed China's factory activity shrank for the sixth straight month in October.

The official survey focuses more on heavy industry than Caixin's, and the two surveys also cover different geographical areas.

## **16 measures to benefit HK**

by [www.news.gov.hk](http://www.news.gov.hk)

Wednesday, November 6, 2019

The Central Government will introduce 16 measures to facilitate Hong Kong people working and living in Guangdong-Hong Kong-Macao Greater Bay Area cities.

Chief Executive Carrie Lam made the statement after attending the meeting of the Leading Group for the Development of the Greater Bay Area convened by Vice Premier Han Zheng in Beijing today.

She said seven of these measures will benefit Hong Kong residents, including making it easier for them to purchase property in the Greater Bay Area cities by exempting the requirements of paying individual income tax and social security.

There will be a pilot scheme for Hong Kong people to open Mainland personal bank accounts in the Greater Bay Area. The establishment of a cross-boundary wealth management scheme will also be explored.

On supporting professional services, there will be six measures covering legal, construction and finance businesses.

The remaining three measures aim to support the development of the Shenzhen-Hong Kong Innovation & Technology Co-operation Zone, facilitate customs clearance of imported animal-derived biomaterials, and relax the limitation on exporting Mainland human genetic resources to Hong Kong and Macau.

Mrs Lam expressed gratitude to the Central Government for introducing these measures that would help improve Hong Kong's strengths in various areas.

She said the Hong Kong Special Administrative Region Government will follow up with the central ministries and the Guangdong Provincial Government for implementing these measures.

## China sets new investment guidelines

by [www.thestandard.com.hk](http://www.thestandard.com.hk)

Friday, November 8, 2019

China's cabinet issued guidelines yesterday aimed at attracting more foreign investors, including plans to encourage investment in its hi-tech industries, opening financial and insurance sectors.

The news came as China Pacific Insurance (2601) is in talks to invest at least US\$2 billion (HK\$15.65 billion) for a stake in Swiss Re as it seeks to build partnerships overseas, according to sources familiar with the matter.

Meanwhile, Chinese authorities are considering a sweeping package of measures to shore up smaller lenders in an effort to contain one of the biggest risks facing the world's largest banking system.

Problematic banks with less than 100 billion yuan of assets will be urged to merge or restructure under a plan being discussed by financial regulators, industry insiders said.

Local governments would be responsible for dealing with troubled lenders, with the central bank providing liquidity support if necessary, the insiders, who asked not to be identified discussing private information, said.

China has more than 3,000 small banks, many of which are struggling to cope with mounting bad loans and a government crackdown on risky funding practices.

Foreign holdings of Chinese stocks rose to a record high by the end of the third quarter, despite the ups and downs in a protracted trade dispute with the United States, as Beijing further opens its financial markets to help fund businesses.

By the end of September, Chinese equities held by foreigners reached a record 1.77 trillion yuan (HK\$1.99 trillion) after having risen for four straight months, up nearly 40 percent in a year, according to the latest data from the People's Bank of China.

China's index-tracking mutual funds have the potential to jump tenfold to 6 trillion yuan in assets over the next decade as investors are more likely to place their money with them than rival stock-pickers who struggle to beat the market, veteran portfolio manager David Xu said.

## **Alibaba aims to raise record HK\$101bn**

by news.rthk.hk

Wednesday, November 20, 2019

Chinese online retail titan Alibaba said on Wednesday it could raise almost HK\$101 billion in Hong Kong's biggest IPO for nearly a decade after announcing the pricing of its shares for the mega sale.

Alibaba said in a statement it will sell 500 million shares to investors at HK\$176, which is below the HK\$188 indicative ceiling announced last week.

That could rake in HK\$86 billion but if it chooses to use its over-allotment option to sell a further 75 million shares, the firm could make HK\$101.2 billion.

Even at the low end, the listing would still be Hong Kong's largest initial public offering since insurance giant AIA raised HK\$160 billion in 2010.

The company had planned to list earlier but called it off owing to the city's long-running pro-democracy protests and the China-US trade war.

The firm's shares are already traded in New York.

A second listing in Hong Kong is expected to curry favour with Beijing, which has sought to encourage its current and future big tech firms to list nearer to home after the loss of companies such as Baidu to Wall Street.

The company said in the statement that it "plans to use the proceeds from the Global Offering for the implementation of its strategies to drive user growth and engagement, empower businesses to facilitate digital transformation, and continue to innovate and invest for the long term".

China International Capital Corporation Hong Kong Securities Limited and Credit Suisse (Hong Kong) Limited are the joint sponsors of the offering.

Citigroup Global Markets Asia Limited, JP Morgan Securities (Asia Pacific) Limited and Morgan Stanley Asia Limited are also acting as joint global coordinators, Alibaba said.

## **Mainland opens up to Hong Kong enterprises**

by [www.thestandard.com.hk](http://www.thestandard.com.hk)

Thursday, November 22, 2019

The local government and the Ministry of Commerce agreed to enhance the level of liberalization for trade in services of the mainland for Hong Kong under the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA).

The Agreement Concerning Amendment to the CEPA Agreement on Trade in Services updates the commitments on liberalization and facilitation of trade in services under the Agreement on Trade in Services implemented in June 2016.

It lowers market access thresholds in the mainland for Hong Kong enterprises and professionals in response to proposals from the Hong Kong business community for more participation in the mainland market. Liberalization measures cover a number of important services sectors such as financial services, legal services, construction, and related engineering services, motion pictures and tourism services.

The measures make it easier for Hong Kong service suppliers to set up enterprises and develop business in the mainland, and allow more of Hong Kong's quality services to be provided to the mainland market.

Taking various forms, the measures include removing or relaxing restrictions on equity shareholding, capital requirements and business scope in the enterprise establishment, and relaxing restrictions for Hong Kong's exports of services to the Mainland market.

In addition, the Amendment Agreement introduces some liberalization measures for pilot implementation in the nine Pearl River Delta municipalities of the Greater Bay Area.

In the tourism services sector, the 144-hour visa-exemption transit policy will be enhanced for foreign group tours entering the Pearl River Delta Area and Shantou from Hong Kong by increasing the number of inbound control points and expanding the exemption area.

## China market access protects Hong Kong, S&P says

by [www.thestandard.com.hk](http://www.thestandard.com.hk)

Thursday, November 22, 2019

Hong Kong's access to mainland China will help maintain it as an Asian financial hub and its credit rating intact despite ongoing protests, according to S&P Global Ratings, Bloomberg reports.

Hong Kong has "much better access" to China's mainland market compared with any other country and this advantage will not go away in wake of the protests, Kim Eng Tan, senior director of sovereign ratings at the ratings firm, said in an interview.

He said he doesn't expect many of the demands of the protesters to be met by the Hong Kong government given that any change would be subject to approval by China.

"I don't think this thing is likely to be a structural story in Hong Kong, in that it probably will clear up at some point, just not in the near future or foreseeable future," Tan said.

On credit metrics, "we haven't seen weakening enough to change our mind about the rating either now, or in the next one to two years."

The economy will perform worse than expected but Hong Kong will still likely be one of the out-performers among high income countries, according to Tan.

Earlier this month, Hong Kong revised down its estimate for economic growth this year, with the government now forecasting the first annual contraction since the global financial crisis a decade ago.

S&P's view contrasts with that of Moody's Investors Service Inc., which changed its outlook on Hong Kong's Aa2 issuer rating to negative from stable in September, citing growing risk that protests will undermine the city's attractiveness as a trade and financial hub.

Earlier this month, Fitch Ratings Inc. also downgraded Hong Kong as an issuer of long-term, foreign currency debt for the first time since 1995, saying that the territory's recent political turmoil raises doubts about its governance.

## HK gateway to Mainland market

by [www.news.gov.hk](http://www.news.gov.hk)

Tuesday, November 26, 2019

Secretary for Commerce & Economic Development Edward Yau today encouraged Malaysian companies to leverage Hong Kong's advantages to explore the Mainland market.

Speaking during a media session at a business seminar in Kuala Lumpur, Mr Yau noted that Hong Kong is always a very welcoming destination for business around the world.

He said: "We imposed zero tariffs on import and trade. Hong Kong is an attraction to a lot of investments. They take advantage of Hong Kong as a financial centre."

Hong Kong is also a window and a gateway into the fast-growing middle-income, high-spending market in the Mainland, he pointed out.

"Within the big population of the Mainland, at least 400 million of them are in the middle-income range, where they spend a lot and go out a lot. They are the main source of tourists. Very often they come through Hong Kong in both directions. A lot of services and commodities would likely take advantage of Hong Kong.

"So in a way we offer a special avenue for Malaysian companies to come through Hong Kong into the Mainland. That is rather typical. The latest count of overseas companies using Hong Kong as regional headquarters has surged to over 9,000."

Mr Yau added that Hong Kong and Malaysia can partner up to seize opportunities under the Belt & Road Initiative as well as the Guangdong-Hong Kong-Macao Greater Bay Area development.

"With our common goal in seizing opportunities of the Belt & Road Initiative, we can actually go out together. On the inward side, I also see a lot of interest, not just in Hong Kong, but also in adjacent cities, the nine cities that are situated around Hong Kong, which we call the Greater Bay Area.

"Altogether they have a population of 17 million, double the size of Malaysia, and have an aggregate GDP of US\$1.5 trillion, roughly the size of the economy of Australia. So that would provide a huge market for Malaysia.

"We are in the middle and we have this advantage of being a two-way street, between the Greater Bay Area, Association of Southeast Asian Nations and in particular Malaysia. I remain confident that the overall trend for mutual trade will be on the rise in the immediate and long-term future."

## **CE signs MOU with Thailand**

by [www.news.gov.hk](http://www.news.gov.hk)

Friday, November 29, 2019

Chief Executive Carrie Lam today called on Thai Prime Minister Prayut Chan-o-cha in Bangkok where she also led a delegation to attend a high-level meeting with the country's Deputy Prime Minister Somkid Jatusripitak.

During her meeting with the Prime Minister, Mrs Lam said she believed Hong Kong and Thailand will open up groundbreaking co-operation in areas such as finance, creative industries and youth exchanges.

After the high-level session with the Deputy Prime Minister, the Chief Executive signed a memorandum of understanding (MoU) with him on behalf of their respective governments on strengthening economic relations.

The pact covers a wide range of co-operation areas including trade and investment, enterprise partnerships, creative industries, financial services, technology startups and enterprises, and human resource development.

Speaking at a press conference with Mr Somkid after the signing, Mrs Lam thanked Thailand for the confidence it has shown in Hong Kong, as evident in the MoU signed between the two places.

"Despite the social unrest, I wish to assure our Thai friends that Hong Kong's fundamentals including our unique strengths under 'one country, two systems', our rule of law and independent judiciary remain strong.

"I and my Government are listening to our people, with a view to resolving some deep-seated problems in Hong Kong through dialogue. I have every confidence that Hong Kong can bounce back, as we always do."

Secretary for Commerce & Economic Development Edward Yau, who attended the MoU's signing ceremony, said the governments of both places have been working very closely in the past two years to forge a closer, more strategic bilateral relationship that is of mutual benefit.

"We are here to serve the communities of both economies not just confined to the business community, but also the wider society. That is why the MoU covers not just the dollar-sign things, but also human resources, capacity building and also education."

Mr Yau added that Hong Kong could take advantage of Thailand as a gateway to the economic hinterland of Cambodia, Laos, Myanmar and Vietnam, while Thailand could take advantage of Hong Kong as a gateway to the Greater Bay Area within Mainland China.

Before heading back to Hong Kong tonight, the Chief Executive and Mr Somkid also witnessed the signing of five other MoUs on strengthening co-operation between various agencies from both sides in areas such as design and creative industries, trade and investment, and innovation and technology.