Independence of the company secretary

by The journal of The Hong Kong Institute of Chartered Secretaries
April, 2013

Company secretaries are both employees and officers of companies as well as being gatekeepers tasked with giving independent advice on regulatory and corporate governance matters.

'The breadth and importance of the role of the company secretary has increased markedly over the past five years', writes Alun Michael, Chairman of the APPCGG in his foreword to the report. 'It is a unique role as the company secretary is often neither part of "line management" nor a member of the board itself. There are endeavours to move the profession beyond that of being the "administrative servant of the board" to one which encompasses the broader role of "board adviser".

The report points out that company secretaries ideally should provide an interface between the board and management. They can be the 'voice of the board' within the business as well as being the key liaison between non-executive directors and management.

- ideally, company secretaries can combine a position at the heart of the company with an independent gatekeeper role and this is the foundation of the real value they can bring

- company secretaries need to earn the trust of board members by demonstrating their integrity and professionalism

- the new Corporate Governance Code provision that the company secretary should report to the board chairman and/or the chief executive seeks to preserve the independence of the company secretary

Privacy versus transparency?

by The journal of The Hong Kong Institute of Chartered Secretaries
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There was a time when corporate governance was regarded as a rather academic and technical area of expertise, but those days are clearly gone. Many corporate governance issues – such as executive remuneration, shareholder rights and corporate responsibility – are now mainstream concerns. As a consequence, corporate governance professionals such as company secretaries increasingly find themselves professionally and even personally involved in issues at the top of the political and media agenda.

At present, directors are required to state their full identity numbers and usual residential addresses in documents, such as their company's annual returns, filed with the Companies Registry. These documents are available to the public for inspection subject to payment of a fee. The 'Companies (Residential Addresses and Identification Numbers) Regulation' proposes a mechanism whereby the full identity numbers and residential addresses of directors could be withheld from public inspection. It also sets out the circumstances under which certain specified persons could apply for access to this withheld information, and anyone could apply to the court for service, enforcement or otherwise for appropriate reasons under section 59 of the new Companies Ordinance.

In practice, the new regulation will mean that directors will still have to file their full identity numbers and two sets of addresses (their correspondence and residential addresses), but the Companies Registry will not disclose the full identity numbers and residential addresses to the public under a search. After the implementation of the new Companies Ordinance in 2014, only partial identity numbers and the correspondence addresses of directors would show up in a search.

The limits of China's consumer revolution

by The journal of The Hong Kong Institute of Chartered Secretaries
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Foreign and domestic observers alike are asking which path China's economic development should take in the next decade. How can China ensure stable and sustainable growth in the face of significant internal and external challenges, including slowing medium-and long-term growth, rising labour costs, and growing inflationary pressure?

After the global economic crisis weakened external demand, which sustained China's unprecedented economic growth for three decades, the authorities agreed that internal demand, especially domestic consumption, must become the country's new growth engine. At the Chinese Communist Party's congress in November, China's leaders declared their intention to double per capita income by 2020, unleashing 64 trillion renminbi (US$10.2 trillion) of purchasing power.

Indeed, with roughly 130 million middle-class consumers, China's domestic market holds significant potential. The Boston Consulting Group estimates that, with an average annual GDP growth rate of 7% in China and 2% in the US, Chinese domestic consumption will rise to half of America's by 2015, and 80% in 2020 (assuming that the renminbi appreciates at an average rate of 3% against the US dollar over the next few years).

Moreover, the currect-account surplus plummeted from more than 10% of GDP in 2007 to 2.8% in 2011, reflecting China's decreasing reliance on exports to drive economic growth. In 2010, China's imports ranked second in the world, and are expected to grow at an average annual rate of 27% in 2011-2015, outpacing export growth by five percentage points. As a result, the total value of imports is expected to exceed US$10 trillion in only two years, providing lucrative investment opportunities and broader markets to foreign investors.

But China cannot rely on consumption as its only growth engine. History has shown that a one-dimensional development model cannot ensure sustainable competitiveness, just as no single market can sustain global demand. Given this, China must continue to develop its manufacturing sector.

Meanwhile, other emerging economies – including Vietnam, India, Mexico, and Eastern European countries – are vying for China's position as the world's factory. These lower-cost alternatives are fast becoming developed-country investors' preferred destinations.

Only by combining growing Chinese consumption with enhanced Chinese manufacturing will the country be able to develop a new comparative advantage, which is the key to sustainable growth over the next decade.

Professional services fund opens

by news.gov.hk, Hong Kong
Tuesday, April 2, 2013

The Commerce & Economic Development Bureau is inviting a new round of applications for the Professional Services Development Assistance Scheme.

Non-profit-distributing professional, trade or industrial organisations, and research institutes can apply until June 29.

The scheme finances projects that boost the competitiveness of Hong Kong's professional service sectors in external markets, including the Mainland, and upgrade the standard of local professional services.

Eligible projects include conferences, training programmes, research studies, and promotional events.

Grants are given on a dollar-for-dollar matching basis. The maximum amount of grant for a project is $2 million.

IP trading working group starts

by news.gov.hk, Hong Kong
Tuesday, April 2, 2013

Secretary for Commerce & Economic Development Gregory So held the first meeting of the Working Group on Intellectual Property Trading today, saying intellectual property has become increasingly important in a knowledge-based economy to drive innovation and growth.

Mr So and Executive Council member Andrew Liao are the Chairman and the Vice-chariman of the group.

After the meeting, Mr So said: “The Government will tap the wisdom of working group members from various sectors, with a view to realising Hong Kong’s potential to develop into an intellectual property trading hub.”

The group briefly surveyed the present landscape of intellectual property trading against the background of the remarkable growth in the global use of intellectual property in recent years and an increasing demand for intellectual property in the region.

Members also discussed some preliminary strategic areas that efforts to promote intellectual property trading may cover, and identified possible issues for further examination at future meetings.

The Chief Executive announced the setting up of the working group in his 2013 Policy Address. Its terms of reference include advising on the overall strategies to promote the development of Hong Kong as an intellectual property trading hub, and identifying possible policy and other support measures to facilitate intellectual property trading.

Total exports up 0.3%

by news.gov.hk, Hong Kong
Thursday, April 18, 2013

The volume of total goods exports in the first two months of this year grew 0.3% year-on-year and the volume of goods imports increased 1.6%, the Census & Statistics Department announced today.

As the trade flows in January and February of each year tend to show considerable volatility due to differences in timing of the Lunar New Year holiday, the department said it is useful to analyse the trade figures for these two months taken together.

It said the volume of goods re-exports in the first two months grew 0.4%, while that of domestic exports decreased by 7.2%.

In February, the volume of goods re-exports fell 16.7% year-on-year, while that of domestic exports fell 27.6%. Taken together, the volume of total goods exports dropped 16.8%. Concurrently, the volume of goods import decreased 18.1%.

On the price changes in the first two months over the same period in 2012, the prices of goods re-exports increased 0.3%, while those of domestic exports rose 4.3%. Taken together, the prices of total goods exports grew 0.4%. Concurrently, the prices of goods imports increased 0.9%.

In February, the prices of goods re-exports grew 0.4%, while those of domestic exports rose 4.3%. Taken together, the prices of total goods exports increased 0.5%. Concurrently, the prices of goods imports rose 1%.

China tightens bond issues in cities of high debt

by thestandard.com.hk, Hong Kong
Thursday, April 25, 2013

National Development and Reform Commission, China's top economic planner, has announced to keep tighter check on bond issues in cities with higher debt ratio.

In a notice issued recently, the applications for the issuance of corporate bonds will be classified as "streamline the audit", "for strict audit" and "appropriately control the scale and pace".

Those with high credit rating and good debt repayment measures will have their approval process faster.

Tougher screening procedure will be applied to cities with heavier debts.

CY calls for more economic co-operation

by thestandard.com.hk, Hong Kong
Thursday, April 25, 2013

Chief Executive Leung Chun-ying has called for greater economic co-operation with both the mainland and Taiwan. He urged Hong Kong people to put aside any negativity they might have about mainlanders, and tap into the opportunities brought about by the "One Country Two Systems" policy, RTHK reports.

Speaking at a financial forum, the Chief Executive stressed that co-operation with the mainland was not a zero-sum game. By tapping into the vast resources and opportunities there, Leung said, Hong Kong's financial and trade industries would benefit tremendously.

That comment was echoed by Zhou Bo, a deputy director of Hong Kong Macau Affairs Office.

Zhou warned that Hong Kong's competitive edge is dwindling, and there is a need for the SAR to grasp new opportunities provided by the mainland.

Meanwhile, the honourary chairman of Taiwan's ruling Kuomintang, Wu Poh-hsiung, called on Hong Kong, Taiwan and the mainland to work closely together in view of the growing competition from places such as Singapore and South Korea.

Profits jump for mainland lenders

by thestandard.com.hk, Hong Kong
Friday, April 26, 2013

Bank of China (3988) earned a net profit of 39.82 billion yuan (HK$50 billion) in the first three months of the year, up 8.2 percent from a year earlier.

Net interest margin hit 2.22 percent in the first quarter, up 0.07 percent, while interest income jumped 10.5 percent to 66.96 billion yuan.

The lender's non-performing loan ratio was down 0.04 percentage points to 0.91 percent, with impairment losses on assets standing at 8.26 billion yuan, up 50.94 percent.

Provisions for non-performing loans jumped 7.94 percentage points to 244.24 percent.

The bank's core capital adequacy ratio stood at 10.33 percent as at March 31, down 0.21 percentage points from the end of last year.

BOC said it had 45.27 billion yuan worth of bonds issued by euro-zone nations, the UK and Switzerland.

Meanwhile, Bank of China Hong Kong (2388), the lender's subsidiary, reported an operating profit before impairment allowances of HK$6.99 billion in the first quarter, up 3.4 percent from a year back.

Rival Bank of Communications (3328) earned 17.71 billion yuan in the first three months of the year, up 11.52 percent.

But BoCom's net interest margin dropped 0.06 percentage points to 2.57 percent while net interest income jumped 11.17 percent to 32.03 billion yuan.

Total outstanding non-performing loans rose 13.86 percent to 30.74 billion yuan from the first quarter of 2012. Bank deputy president Qian Wenhui said the increase in NPLs did not post a systematic risk to the lender.

Similar to BOC, BoCom's core capital adequacy ratio also dropped 0.27 percentage points to 10.97 percent, from the end of 2012.

Meanwhile, China Minsheng Bank (1988) said the contraction in its net interest margin during the first quarter was due to the loan repricing procedure following two rate cuts by the People's Bank of China last year.

China signs trade deals with France

by rthk.hk, Hong Kong
Friday, April 26, 2013

China has signed a series of trade agreements with France, including a deal to buy 60 Airbus planes and a nuclear-waste processing plant.

The agreements were finalized during talks in Beijing between the President Xi Jinping and the French president, Francois Hollande, who is visiting China with a large delegation.

Mr Xi said China was willing to import more French products, and he hoped France would help ease EU restrictions on the export of hi-tech products to China.