

## Hong Kong & Mainland China News – April-2019

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### PMI rebound to boost stocks

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

Monday, April 1, 2019

Factory activity in China unexpectedly grew for the first time in four months in March, an official survey showed, suggesting government stimulus measures may be starting to take hold.

If sustained, the improvement in business conditions could suggest the ailing manufacturing sector is on a path to recovery, easing fears that China could slip into a sharper economic downturn.

But many analysts remained cautious on the growth outlook, citing seasonal distortions caused by the long lunar New Year break in February. They argue that real investment and consumer demand remained soft and pushed up inventories at a sharper rate, potentially adding pressure to the sector.

The official Purchasing Managers' Index rose to 50.5 in March from February's three-year low of 49.2, marking the first expansion in four months, according to the National Bureau of Statistics. The 50-mark separates growth from contraction on a monthly basis.

Analysts surveyed had forecast the manufacturing gauge would pick up slightly to 49.5, as factories ramped up production after the Lunar New Year holidays and rebuilt inventories ahead of a seasonal pickup in activity in spring.

Factory output grew at its fastest pace in six months in March, reversing a brief contraction in the previous month. It rose to 52.7 from February's 49.5, the highest level seen since September 2018.

Total new orders also grew at a quicker pace, driving up factory-gate prices to a five-month high of 51.4, ending four months of contraction.

"The jump will likely give a big boost to stock markets and could delay a cut in the reserve requirement ratio (RRR)," said Ting Lu, chief China economist at Nomura.

China has announced five RRR cuts in the past year to free up more cash for banks to boost lending to private firms, and further cuts are widely expected.

Ting said there is limited room for manufacturing PMI to rise further and the chance for another dip is "not small".

Export orders shrank for the 10th straight month, suggesting external demand remained sluggish and further policy cushion may be needed if trade tensions escalate. "Construction work starting at the beginning of the year has led to strong domestic demand, but external demand is still weak, and the outlook on imports and exports is still not optimistic," economists at Huatai Securities said.

## **Gov't responds to US report**

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

Tuesday, April 2, 2019

A report by the US Trade Representative has made an inaccurate statement about Hong Kong due to its misinterpretation of the World Trade Organization requirement, the Government said in a statement.

Responding to the 2019 National Trade Estimate Report, the Government clarified today that Hong Kong, as a free port, does not impose any customs duties on imported goods. The city therefore does not have any laws, regulations or administrative procedures for valuing goods for customs duties purposes.

Hong Kong has, since 1996, fulfilled its notification obligations under the WTO Customs Valuation Agreement. As there has been no change to the policy since then, there is no need for Hong Kong to notify WTO further or reply to the Checklist of Issues which concerns individual WTO members' valuation systems for the collection of customs duties.

The Government said Hong Kong, as a founding member and staunch supporter of the WTO, takes its obligations and rights seriously, and maintains a good track record of submitting timely notifications to the WTO.

On Hong Kong's efforts in intellectual protection rights protection, the Government noted the report recognises the city's robust IPR protection and enforcement.

The Government said it is determined to enhance the copyright regime meet international standards, though copyright issues are controversial.

The Government has proposed law amendments to enhance the copyright exceptions for people with a print disability, so as to meet the standards under the Marrakesh Treaty.

Rigorous enforcement actions against online piracy will also continue.

To combat counterfeit products, the Customs & Excise Department has signed co-operation pacts with major courier operators to stop infringing shipments, while co-operation with other enforcement authorities in combating the transnational flow of infringing goods will go on.

## **Arbitral proceeding pact signed**

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

Tuesday, April 2, 2019

Hong Kong today signed an arrangement with the Mainland on interim measures in aid of arbitral proceedings.

The pact was signed by Secretary for Justice Teresa Cheng and Supreme People's Court Vice-president Yang Wanming in Hong Kong.

Ms Cheng said Hong Kong, after signing the arrangement, has become the first jurisdiction outside the Mainland where, as a seat of arbitration, parties to arbitral proceedings administered by its arbitral institutions would be able to apply to the Mainland courts for interim measures.

She noted the move marks Hong Kong's strengths under the "one country, two systems".

It also enhances the city's competitiveness in international arbitration services as well as its status as the centre for international legal and dispute resolution services in the Asia-Pacific Region, she added.

Under existing Hong Kong legislation, parties to arbitral proceedings in any place may apply to the courts of Hong Kong for interim measures.

After the commencement of the arrangement, parties to arbitral proceedings in Hong Kong can, before the arbitral award is made, apply for interim measures to the Mainland courts.

The measures, including preservation of property, evidence or conduct, aim to prevent one of the parties to arbitral proceedings from deliberately destroying the evidence or transferring the property.

The arrangement's commencement date will be decided after the promulgation of a judicial interpretation by the Supreme People's Court and completion of relevant procedures in Hong Kong.

## China outlines fresh tax cuts to lift economy

By [www.news.rthk.hk](http://www.news.rthk.hk)

Thursday, April 4, 2019

China has unveiled tens of billions of dollars worth of tax and fee cuts as part of a drive to kickstart the stuttering economy, extending pledges worth US\$300 billion announced last month.

With growth at a near three-decade low and the economy struggling under the weight of the US trade row and a soft global outlook, leaders are looking to grease the cogs by getting the country's vast army of consumers to start spending.

The State Council, or cabinet, said late on Wednesday it would reduce electricity and internet costs, port and railway charges and a variety of fees for individuals and businesses to cut their annual burdens by about 300 billion yuan (US\$45 billion).

For businesses, the government will lower average electricity fees by 10 percent and cut broadband fees for small- and medium-sized businesses by 15 percent, the official Xinhua news agency reported.

It will also cut trademark registration fees, the State Council said.

For individuals, China will cut a variety of bureaucratic red tape, like fees on postal imports, real estate registration, passport issuance and mobile internet rates.

"Tax and fee cuts are our key measures to tackle the downward economic pressure this year," said Premier Li Keqiang, according to Xinhua.

The announcement follows promises last month to cut company taxes and employer social insurance contributions by nearly two trillion yuan (US\$298 billion), with the first batch of cuts kicking in April 1.

The meeting on Wednesday also outlined new draft amendments to beef up the foreign investment law passed last month, with a provision for "non-discrimination" in administrative licensing as well as measures to improve the protection of trademarks.

## **WeLab wins virtual bank license**

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

Thursday, April 11, 2019

WeLab Digital was granted the fourth virtual bank licence by the Hong Kong Monetary Authority, the only homegrown bank among the four.

"According to its business plan, WeLab Digital intends to launch its services within six to nine months. The HKMA is making good progress in processing the remaining four shortlisted virtual bank applications," HKMA said in a statement.

William Leung Wing-cheung, former chief executive officer of Sun Hung Kai Financial, and Ceajer Chan Ka-keung, former secretary for financial services and the treasury, will be the chief executive and chairman of WeLab virtual bank.

Chan said: "Virtual banking heralds a new stage of development for Hong Kong banking and fintech. As chairman of WeLab Digital, I will lead the team to build on WeLab's success, leading with technology to promote financial inclusion."

Using its core philosophy of being Instant, Interactive and Intelligent, WeLab will use artificial intelligence, big data and machine learning and other leading technologies to design and build products and services to bring a new digital experience to the public.

Simon Loong Pui-chi, founder and chief executive of WeLab, said the virtual bank will continue to leverage advanced fintech capabilities and experienced leadership team to revolutionize the banking experience for customers, with the aim of providing more convenient and diversified retail banking services and products.

"As a Hong Kong homegrown innovator and fintech company, we believe that the license is validation and recognition of our innovative mindset and proven fintech capabilities," he said.

WeLab, founded in 2013, operates two lending platforms - WeLend and WoLaiDai in Hong Kong and China - and jointly operates the Indonesian lending platform, AWDA. The fintech firm uses big-data technology to conduct credit assessment but failed to apply for listing on the stock market in January.

According to company documents, the revenue and profit of WeLab are US\$155.1 million (HK\$1.2 billion) and US\$17.69 million in 2017 respectively while the firm lost US\$24.77 million and US\$13.524 million in 2016 and 2015 respectively.

The investors of WeLab includes CK Hutchison's Tom Group (2383), Malaysia's Khazanah Nasional Berhad, ING Bank, China Construction Bank (International), World Bank's International Finance Corp, Sequoia Capital, and the Alibaba Entrepreneurs Fund.

The three other virtual banks are Livi VB, mainly owned by Bank of China (Hong Kong); SC Digital Solutions, mainly owned by Standard Chartered, and ZhongAn Virtual Finance, mainly owned by ZhongAn Online.

## **China GDP growth beats forecast at 6.4%**

By [www.news.rthk.hk](http://www.news.rthk.hk)

Wednesday, April 17, 2019

The mainland's economy beat forecasts as it remained steady with 6.4 percent growth in the first quarter amid tepid global demand, a US trade war and a debt battle, official data showed on Wednesday.

The growth figure released by the National Bureau of Statistics was the same as the last quarter of 2018 and better than the 6.3 percent forecast by analysts polled by AFP.

"The national economy enjoyed stable performance with growing positive factors and stronger market expectation and confidence, sustaining the momentum of progress in overall stability," the NBS said in a news release.

Top policymakers huddled in Beijing last month announced major plans to support the flagging economy, announcing massive tax cuts, fee reductions and financing support.

Premier Li Keqiang in March laid out a lower growth target this year of 6.0-6.5 percent.

Beijing is counting on consumers and renewed investment to stabilise the economy. Unemployment rate dropped to 5.2 percent in March from 5.3 percent in February.

The latest data showed growth in retail sales for March rising 8.7 percent on-year after stagnating for three months near 15-year lows.

But imports fell in the first quarter, adding to worries about weak demand.

All eyes have been on Beijing's infrastructure spending which expanded 4.4 percent in the first three months after plummeting to 3.8 percent growth last year amid a campaign against debt and financial risk.

The broader fixed-asset investment indicator rose 6.3 percent on-year for the first quarter, from 6.1 percent in January-February.

Output growth at factories and workshops in March shot up 8.5 percent on-year, from 5.3 percent in the first two months, well above forecasts.

Another drag on the economy, the US-China trade war, appears to be approaching a resolution after nine rounds of high-level talks between American and mainland officials.

The two sides have exchanged tariffs on more than US\$360 billion in two-way trade, hurting manufacturers in China and farmers in the US.

But no date has been set to bring together presidents Xi Jinping and Donald Trump for a deal signing.

## Carrie Lam pitches HK financial services to Belt and Road partners

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

Thursday, April 25, 2019

Hong Kong's financial services could best meet mainland China's needs in the Belt and Road Initiative, given the city's status as a global financial center, the Chief Executive, Carrie Lam, said today in Beijing.

She was speaking at thematic forum on financial connectivity of the second Belt and Road Forum for International Cooperation in Beijing.

"In my view, the single most relevant advantage of Hong Kong that could best meet the country's needs is our financial services given our status as a global financial center. According to the Global Financial Centre Index, Hong Kong is ranked number three globally, right behind New York and London," she said.

"Many Belt and Road economies aspire to draw foreign investments in infrastructure that underpins core economic activity and improves people's livelihood. Asian Development Bank estimates a funding demand of US\$1.7 trillion each year in developing countries in Asia alone between 2016 and 2030.

"Infrastructure investments are among the most complicated asset classes. Funding of cross-border or regional projects becomes even more challenging. While multiple public financing mechanisms have been put in place, financing the enormous funding needs in the long run calls for private sector involvement."

She said that to attract more private capital for projects requires deep experience and expertise to assess and manage risks.

"The Hong Kong Monetary Authority set up an Infrastructure Financing Facilitation Office in 2016 aiming to bring together like-minded partners with the necessary expertise to improve operational efficiency and reduce project risks. By generating demonstration effect for the market, we believe IFFO would help draw in greater private capital participation on a broader scale. In a similar light, the Hong Kong Insurance Authority launched the Belt and Road Insurance Exchange Facilitation platform last December to pool together key stakeholders to exchange intelligence on risk management and insurance, forge alliances and facilitate networking."

She said Hong Kong can also help in many other ways.

"Under the 'One Country, Two Systems' principle, Hong Kong has maintained its market-based financial system, underpinned by the rule of law and internationally aligned regulatory regimes. We have a deep capital market, with our stock market boasting the world's sixth largest capitalisation at US\$4.2 trillion, which is over 11 times our GDP. Last year, we topped the world for the sixth time in 10 years in initial public offerings, taking in some US\$37 billion."



## **Xi Jinping admits need for transparency in Belt and Road building binge**

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

Friday, April 26, 2019

China's Belt and Road projects need to be transparent and financially sustainable, President Xi Jinping said in Beijing today, in apparent acknowledgement of growing concerns about debt linked to China's global infrastructure initiative.

Many economically unviable projects, including controversial luxury seafont real estate and deep-water ports in Sri Lanka, have sunk the country into unsustainable levels of debt. Some projects have turned into white elephants.

President Xi was making the keynote speech at the opening ceremony of the Second Belt and Road Forum for International Cooperation in Beijing.

There will also be "zero tolerance" for corruption, Xi said, adding that the initiative "is not an exclusive club."

Heads of state and government from 37 countries and other representatives from around the world are taking part in the three-day forum, which runs from April 25 to 27.

Countries including Malaysia and Thailand have canceled or scaled back projects while Ethiopia and others have renegotiated debt repayment.

His audience at a Beijing conference center included Prime Ministers Aung San Suu Kyi of Myanmar, Lee Hsien-Loong of Singapore and Adiy Ahmed of Ethiopia and leaders or envoys from Greece, Serbia and Malaysia.

Xi said Beijing also wants to expand the scope of its initiative by encouraging cooperation among Belt and Road countries on health, water resources, agriculture and science and technology. He promised to fund scholarships for students from Belt and Road countries.