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Hong Kong & Mainland China News – Oct-2020

HK, Georgia sign tax pact

by www.news.gov.hk
Monday, Oct 05, 2020

The Government today said Hong Kong has signed a comprehensive avoidance of double taxation agreement (CDTA) with Georgia today, signifying its sustained efforts in expanding the city's tax treaty network.

Secretary for Financial Services & the Treasury Christopher Hui signed the agreement on behalf of the Government.

Georgia is an emerging economy which participates in the Belt & Road Initiative.

This is the 45th CDTA that Hong Kong has concluded. It sets out the allocation of taxing rights between the two jurisdictions and will help investors better assess their potential tax liabilities from cross-border economic activities.

Double taxation will be avoided in that any tax paid in Georgia by Hong Kong companies under the agreement will be allowed as a credit against the tax payable in Hong Kong on the same income, subject to the provisions of the tax laws of Hong Kong.

Likewise, for Georgian companies, the tax paid in Hong Kong will be allowed as a deduction from the tax payable on the same income in Georgia.

The agreement also provides tax relief arrangements.

It will come into force after both sides complete ratification procedures.

China, Cambodia seal landmark free trade deal

by www.rthk.hk
Monday, Oct 12, 2020

China and Cambodia signed a free trade agreement on Monday, put together in under a year and aimed at slashing tariffs and boosting market access between Beijing and one of its most important Asian allies.

The agreement, for which talks started late last year, covers sectors that include trade, tourism and agriculture, under which both countries will cut duties for their products.

The signing was attended by Foreign Minister Wang Yi and Cambodian Prime Minister Hun Sen at a ceremony streamed online.

"The signing of the agreement signifies even stronger ties between the two countries and marks another key historical milestone for Cambodia China relations," Cambodia's Commerce Minister, Pan Sorasak, told the ceremony.

The agreement, which he said he hoped would come into effect early next year, "would provide a more robust economic partnerships through a higher degree of market access, liberalisation for goods, services and investment," he said.

There were no details provided about the agreement and it was not immediately clear how it would work with existing trade arrangement between China and the Association of South East Asian Nations (Asean), of which Cambodia is a member.

Depending on its terms, the deal could be a boost for Cambodia, which suffered the suspension last year of part of its special trade preferences with the European Union, a key market for its exports, over human rights concerns.

That included re-imposing tariffs on certain garments and footwear, which are central to manufacturing jobs and its economy.

Cambodia, which is among Asia's poorest countries, has been an important ally to China in recent years and has been accused of giving it de facto veto power in Asean's consensus-based decision making process in return for economic support.

Cambodia has rejected that and insisted its foreign policy is not under China's influence.

China recovery gathers pace, logging 4.9pc growth in third quarter

by www.thestanadard.com.hk
Monday, Oct 19, 2020

China's gross domestic product (GDP) expanded by *4.9* percent year on year in the third quarter, picking up from the 3.2-percent growth in the second quarter, data from the National Bureau of Statistics showed today.

The economy expandedby 0.7 percent year on year in the first three quarters.

The growth was slower than the 5.2 percent forecast by analysts in a Reuters poll, and followed a 3.2 percent growth in the second quarter. The economy grew by 0.7 percent in the first nine months from a year earlier, the data showed.

The International Monetary Fund has predicted that China's economy will expand by 1.9 percent this year.

China continues to show positive growth and its GDP growth is expected to reach 8.2 percent next year, according to the World Economic Outlook by the IMF on Tuesday.

Yuan shoots past two-year high

by www.thestanadard.com.hk
Thursday, Oct 22, 2020

China's yuan advanced further to end the domestic session at a more than two-year high against the greenback yesterday, led by firmer central bank guidance and recent data showing a sustained recovery in the world's second-largest economy.

The currency climbed as much as 0.55 percent to its strongest since July 2018 yesterday, even after the People's Bank of China set its daily reference rate weaker than analysts had expected.

Onshore yuan closed 243 basis points higher at 6.6575 per US dollar yesterday, the strongest for more than 27 months. Offshore yuan rose 216 basis points to 6.6414 per US dollar as of last night.

China's Vice Premier Liu He said the economy will very likely achieve positive growth this year, adding that China's prudent monetary policy should be kept appropriate and flexible, and liquidity reasonably ample.

Peng Sen, former deputy director of the National Development and Reform Commission, expects Chinese economic growth to slow down due to the Covid-19 pandemic but will maintain a 5-6 percent growth during the government's 14th five-year plan, or from 2021 to 2025.

Meanwhile, China's fiscal revenues grew 4.7 percent in the third quarter from a year earlier, reversing a 7.4 percent drop in the previous quarter, the finance ministry said yesterday.

Wealth Connect capped at 150b yuan each way

by www.thestanadard.com.hk
Friday, Oct 23, 2020

China's plan to allow investments for private wealth across the border between Hong Kong and its increasingly affluent southern region will be capped at 150 billion yuan (HK$174.01 billion) in each direction.

The Wealth Management Connect program, which will allow residents of Hong Kong, Macau and major cities in China's southern Guangdong province to invest across the border, will also have an individual quota of 1 million yuan, according to the Hong Kong Monetary Authority.

The program will take an "incremental approach, starting with a smooth launch with possibilities for enhancements down the road," a spokesperson for Hong Kong's de facto central bank said in an emailed statement to Bloomberg. "At the initial stage, available wealth management products will cover non-complex products with medium to low risk."

Hong Kong's Private Wealth Management Association hopes the launch of the program, which will initially target retail banking clients, will take place early next year, said its chairman, Amy Lo.

Meanwhile, China is preparing to grant additional quota for funds to invest in securities overseas, Caixin reported, a move that would allow more capital to flow out of the country.

The Qualified Domestic Institutional Investor quota will be bumped by US$10 billion in the near term, Caixin said on Thursday, citing an unidentified official from the State Administration of Foreign Exchange. An earlier version of the story had said the QDII would be increased by between US$2 billion and US$3 billion every quarter, with a cap for annual increases kept at US$10 billion. Caixin has since removed those references.

Separately, Citigroup is planning to include an investment banking unit in China to take advantage of an expected steady stream of big stock deals as the nation opens up and liberalizes its financial markets, a person familiar said.

In intensifying discussions in recent months, the bank's senior executives in Asia have been lobbying the bank's top brass in New York to revive an application as part of a plan to form a China securities business, the person said, asking not to be identified before a final decision is made.

In the currency market, the yuan retreated from a 27-month high yesterday as a weaker-than-expected official fixing and the approval of fresh outbound investment quotas suggested authorities have become increasingly wary over the recent rapid gains in the currency. The onshore yuan weakened 114 basis points to 6.6689 per US dollar.

Modest growth goal expected in five-year policy blueprint

by www.thestanadard.com.hk
Monday, Oct 26, 2020

A national development proposal for the five years to 2025 will be discussed by the Chinese communist leaders in Beijing from today.

In the final year of the current five-year plan, no annual economic growth rate was set amid the global economic decline from the coronavirus pandemic in the mainland. Instead, maintaining employment became the primary goal, the China Daily said.

The 14th plan is expected to include a more modest annual growth target of between 5 and 6 percent, with closer to 5 percent acceptable in a trade-off to securing quality growth and combating climate concerns.

At the fifth plenary session of the 19th Communist Party Central Committee, President Xi Jinping, delivered a work report, and briefed the participants about the draft proposals of the the 14th Five-Year Plan for economic and social development and targets for 2035 — a top-level policy blueprint for China's mid- and long-term development, the China Daily said.

For Xi, the next half decade and beyond builds on eight years in which he abolished term limits and consolidated political power, CNBC reports.

One of the key milestones ahead is the 100th anniversary of the Chinese Communist Party in 2021 — authorities have pledged to build a "moderately prosperous society" by next year.

Then in 2022, the 20th Congress of the Chinese Communist Party will shed light on Xi's future leadership plans.

There are many more dates ahead that the authoritarian government has named for development goals. They include the "Made in China 2025" plan to dominate in high-tech and key manufacturing areas, and "China Standards 2035" for global specifications on leading technology.

The final text of the upcoming five-year plan is due for release next year at the National People's Congress typically held in March.

"One thing I think will stand out is the supply chain security," Dan Wang, Shanghai-based chief economist at Hang Seng China, told CNBC in a phone interview.

"I think there will be some major adjustments because this 14th five-year plan is a long-term plan. It's not an emergency plan," Wang said. "It will drive some of the long term issues. Now with some of the U.S. competition, there will be a lot of stress on strengthening those sectors related to national security and basic livelihood of (the) people."

Following years of criticism that state-dominated China has unfairly taken advantage of global markets, U.S. President Donald Trump's administration has taken a tougher stance on Beijing that many expect will continue in some form — even if Democratic nominee Joe Biden becomes president next year. Trump has pressured China to buy more American goods, while hampering Beijing's technological advancement with restrictions on companies such as Chinese telecommunications giant Huawei.

The uncertainty of whether Chinese tech firms can continue to collaborate with U.S. companies is accelerating Beijing's efforts to ensure future technological prowess.

In a speech earlier this month, Xi talked up support for quantum mechanics, which can drive the development of supercomputers which have processing abilities that far exceed current systems.

With national security in mind, Yue Su, principal economist at The Economist Intelligence Unit (EIU), expects the five-year plan to stress support for technology such as semiconductors. She also anticipates the plan will discuss building resilience in energy security rather than relying on petroleum imports, and ensuring food security in the face of trade tensions with agriculture-producing countries and a shortage in pork, a staple in Chinese households.

From a social perspective, Su expects China to find more ways to boost consumption, including abolishing limits on the number of children families can have.
"I would put it at the top (of) the topics to be watched," she said, noting such a move would help China's medium- to long-term growth.

China's economic growth has slowed in the last few years, amid concerns about fast-paced growth fueled by debt. Under the 13th five-year plan, which outlined the government priorities from 2016 to 2020, China moved incrementally to relying more on consumption for growth rather than exports.

In the last several months, public officials have talked up a new phrase that is expected to underpin the plan for the next five years, a concept they refer to as "dual circulation." It is broadly split into two parts: "internal circulation" focused on growing China's domestic market, and "external circulation" — or trade with other countries.

"The 14th five-year plan isn't just about the next five years, but the next 30 years," said Qin Gang, founder of YaSong (Ode & Song) City Strategy and a consultant for many real estate development projects. That's according to a CNBC translation of his remarks in Putonghua.

Ant Group says to raise US$34bn in record IPO

by www.rthk.hk
Monday, Oct 26, 2020

Ant Group, the financial arm of Chinese e-commerce titan Alibaba, said on Monday it plans to raise US$34 billion in a joint Asian listing, making it the biggest IPO in history.

The cash raised from the split float between Hong Kong and Shanghai would be far more than the US$29 billion chalked up by Saudi Aramco in December.

Ant Group company runs Alipay, the dominant online payment system in China, where cash, cheques and credit cards have long been eclipsed by e-payment devices and apps.

According to statements released by Ant Group, the e-payments behemoth aims to sell 1.67 billion shares each at HK$80 (US$10.30, 8.70 euro) in Hong Kong from Tuesday.

A further 1.67 billion shares will be sold in Shanghai at 68.80 yuan (US$10.30, 8.70 euro).

The total sale would therefore exceed US$34 bn (28.8 bn euro), and could be close to US$40 bn (33.9 bn euro) if over-allotment options are taken up.

The securities will begin trading on November 5.

Imports and exports recover in September

by www.thestanadard.com.hk
Wednesday, Oct 28, 2020

Hong Kong's September exports rose by 9.1 percent from a year earlier to HK$379.3 billion after a decline of 2.3 percent in August, mainly due to the recovery of the Chinese economy.

Imports, meanwhile, increased by 3.4 percent to HK$392 billion last month, after a decrease of 5.7 percent in August.

A trade deficit of HK$12.7 billion, equivalent to 3.2 percent of import value, was recorded in September.

For the first nine months of this year, total exports fell 4 percent, while imports dropped by 6.8 percent.

A government spokesman said that merchandise exports turned to a notable increase in September, mainly led by the acceleration in exports to the mainland, which increased 17 percent from a year ago.

Exports to the United States reverted to moderate growth, and those to the European Union saw a narrowed decline in September, thanks to the economic recovery in these markets.

The solid recovery of the mainland economy will likely render some support to Hong Kong's exports in the near term, the spokesman said.

But the resurgence of Covid-19 infections in some advanced markets has cast uncertainty over their near-term outlook, while the development of Sino-US relations, geopolitical tensions and the EU-UK trade negotiations also warrant attention, he said.