End game for China deposit rate curbs

People's Bank of China governor Zhou Xiaochuan yesterday said domestic deposit rates will be liberalized in one to two years, following which interest rates are likely to rise for the short term.

As for easing the 20,000 yuan (HK$25,284) daily conversion cap for Hong Kong residents, he said more research is needed.

But he did say Hong Kong obviously has an edge over other offshore yuan centers, with continued innovations holding the key to holding the lead.

European countries want to enter offshore yuan business, he added.

Zhou said the process of interest-rate liberalization is likely to bring new opportunities for higher returns.

''Interest rates will probably rise after we first remove controls, but opportunities will dwindle as supply and demand is gradually balanced,'' he said.

Zhou said the internationalization of the yuan is a long process and the PBOC will not set any target or timetable for it.

Yuan capital-account convertibility will be done gradually and yuan controls will be eased in the future.

Asked about the recent weakening of the yuan, Zhou said the PBOC does not comment on the exchange rate.

Recent movements in the yuan are ''very normal and also reflect the growing role of market forces,'' he said.

The yuan has slid 0.4 percent to the US dollar in the past three days and 1.4 percent this year.

LING WANG AND BLOOMBERG

Munching on profit

Shares of Want Want China (0151) rose 4.6 percent yesterday on better-than-expected profit while those of smaller peer Labixiaoxin Snacks (1262) plunged 18 percent after a media report alleging it exaggerated sales data.

Want Want China, the mainland's top food and beverage maker and distributor by market value, said net profit last year jumped 24 percent from 2012 to US$687.3 million (HK$5.36 billion) as it spent less on promotions. The dairy product and rice cracker maker said revenue rose 14 percent to US$3.82 billion. Earnings per share hit 5.2 US cents.

A final dividend of 2.27 US cents was declared, taking the full-year dividend to 3.48 US cents, up 22 percent on 2012.

But profit growth in the second half was 17.6 percent, Reuters calculated. That was the slowest since 2010, due partly to a shortage of milk powder. Dairy products make up more than half of Want Want's total revenue.

Capital outlays in 2014 are put at US$458 million, up 67.8 percent.

Fujian-based Labixiaoxin Snacks said it sold jelly products worth 1.3 billion yuan (HK$1.64 billion) in 2011 and 1.5 billion yuan in 2012. But weekly *Zhengquan Shichang Zhoukan* said the numbers were false.

LING WANG AND REUTERS

Tech giants join bank business

Tencent (0700) and Alibaba are among the 10 enterprises that will take part in pilot programs to set up privately owned banks in four regions of China.

Alibaba will also buy a controlling stake in ChinaVision Media Group (1060) for HK$6.24 billion.

The China Banking Regulatory Commission will allow privately owned banks to be set up in Shanghai and Tianjin along with Guangdong and Zhejiang provinces, chairman Shang Fulin said yesterday.

The five privately owned banks, to focus on serving small and medium-sized companies, will be approved in the first batch, the commission said.

The two mainland internet giants are also reportedly launching online credit cards next week, after both started offering high-yielding wealth management products online.

Both will cooperate separately with CITIC Bank (0998), allowing users to apply for ''virtual credit cards'' that can be used for all online payments. Credit checking will be done solely through the databases of the two tech giants.

Tencent is splashing out US$214.7 million for a 15 percent stake in JD.com. REUTERS

Meanwhile, Alibaba is set to pay HK$6.24 billion for a majority stake in ChinaVision Media — a television drama and films producer.

Alibaba will buy 12.5 billion new shares of ChinaVision for 50 HK cents, or 22 percent lower than its closing price on February 25. The new shares account for 60 percent of the enlarged share capital, which also means that its current shareholder Tencent will have its stake diluted from 8 percent to just 3 percent.

The shares subscription allows ChinaVision to capitalize on new content opportunities and online entertainment areas, the firm said. China Vision shares will resume trading today.

The deal comes one day after Tencent said it will splash out US$214.7 million (HK$1.67 billion) for a 15 percent stake in e-commerce site JD.com.

Alibaba said in January it is to pay HK$1.33 billion to take a 54.3 percent stake of CITIC 21CN (0241) to enter the drug-data industry, and its Shanghai-listed shares have jumped nearly eight times so far.

Shares of Tencent rose 0.16 percent to HK$617.50 yesterday.

IMOGENE WONG AND BLOOMBERG

Market Pulse By Dr Check

Lending little hope

The Shanghai Composite Index rebounded 0.1 percent yesterday to 2,001 while the Hang Seng Index rose a mere four points to 22,269.

But when you look at the performance of mainland bank shares, you feel bearish. Based on Monday's closing, shares of 13 of the 16 mainland banks listed in Shanghai fell below their lows of last year.

In Hong Kong, shares of China Everbright Bank (6818) plunged to a historical low of HK$2.83. Since listing at HK$3.98 about three months back, they have declined 28 percent.

In the meantime, Hong Kong's Chong Hing Bank, acquired by Guangzhou-based Yue Xiu Group, is trading at a price-to-book ratio of 1.6 times. Most mainland banks listed locally, however, are trading between 0.7 and 1.1 times price-to-book.

The asset quality of local lenders is much better than that counterparts in the mainland, where banks face a slower economy and tight credit. Also, online finance products continue to squeeze profit margins.

All this is happening amid the possible specter of a bubble in China's shadow banking sector bursting — thereby raises fresh fears for mainland banks.

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