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BUSINESS

New tech board gets lukewarm reception

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sponsorship and major shareholders, which might discourage listing candidates, Lu added.

A listing sponsor would have to subscribe to between 2 per cent and 5 per cent of the new shares offered by the company and would not be allowed to sell them for at least two years, according to the planned new rules.

Employees of the listed companies with key technology know-how would be locked in to their holdings for at least three years after a flotation.

For companies that are unprofitable when they go public, the controlling shareholders, directors and senior executives would face a lock-in period of between three and five years.

Some industry insiders said it would take time to implement the new reforms.

The first batch of companies to list on the board might not include those with a VIE structure, particularly technology ones, as mainland regulators would give priority to market stability, they said.

"It is unlikely that VIE companies will be able to join the first batch of listings since they would need more time to complete the preparatory work," said Qian Jun, executive dean of Fanhan International School of Finance at Fudan University.

Turnover on the market may be another concern because the rules require an investor to have at least 500,000 yuan (HK$585,107) in a trading account and a minimum of two years of equity trading experience.

"Lots of retail investors have lost money during the past three years and may not be able to meet the minimum investment requirements," said Wang Feng, chairman of Shanghai-based financial services company Ye Lang Capital.

The deadline for the soliciting of opinions is February 20.

Additional reporting by Enoch Yiu and Zhang Shidong

ECONOMY

A textile factory in Hangzhou. A gauge of the mainland's manufacturing industry showed a contraction in January and analysts said pressures remained. Photo: AP

MAINLAND FACTORY ACTIVITY CONTRACTS FOR SECOND MONTH

Official data for January also shows strength in the services sector but analysts remain downbeat

Orange Wang and **Sidney Leng**

The mainland's first major economic announcement of 2019 showed a continued contraction in manufacturing but increased strength in the services sector, as analysts said there were clear signs of pressure on the economy in January.

The monthly purchasing managers' index (PMI) rose to 49.5 in January from 49.4 in December, but still remained below the 50 line that marks a contraction for a second consecutive month.

There was some room for optimism in the services sector, with the non-manufacturing PMI rising from 53.8 to 54.7.

Li Chao, an analyst with brokerage Huatai Securities, said the indicators were gloomy and expected the picture to remain so for the foreseeable future.

"That means the downward pressure on the mainland economy is still significant," he wrote in a note.

"Companies are continuing to cut their stock proactively, a move that might not change until the fourth quarter of 2019, meaning weaker support for gross domestic product," Li added, commenting on the rebound in stock levels in the manufacturing index.

Marcel Thieliant, senior economist at Capital Economics, warned that the data might be inaccurate.

"We are wary of putting too much weight on the official PMIs, given that they have provided false signals in the past," Thieliant said. "While the official manufacturing PMI did not weaken any further in January, it still suggests the economy lost momentum at the start of the year."

Another survey, the Caixin manufacturing PMI, will be released today and should help provide a fuller picture.

Economists at Japanese investment bank Nomura suggested the weak export sales figures in the PMI pointed to the end of front loading.

Front loading was a strategy used by companies as a way of avoiding the US tariffs on Chinese goods. It involved shipping cargoes earlier so they arrived in the US before the tariffs were enforceable. The first raft of US tariffs were implemented in July.

The end of this strategy meant the mainland economy would slow further over the course of 2019, Nomura analysts said.

"[The economy is] dragged by synchronised shocks of the ongoing credit downcycle, the end of the front-loaded exports, the cooling property sector and the end of the replacement cycle of consumer durables," they wrote.

The picture is markedly worse for small and medium-sized enterprises, which experienced a rougher start to 2019 than larger companies, other official data has shown.

The growth in the non-manufacturing PMI, meanwhile, has been attributed to seasonal issues, with shoppers spending more money in the run-up to the Lunar New Year holiday period.

"Boosts from consumer spending during the Lunar New Year holiday just emerged," said Zhao Heqing, senior statistician at the National Bureau of Statistics.

The holiday effect and the so-called consumption upgrade had boosted telecommunications, banks, tourism, postal services, and transport, Zhao said.

He added that these would wear off as the cold weather and the return of migrant workers to rural areas for the Lunar New Year holiday started to hit consumption.

The statistics bureau does not release other economic data for January and February until March to avoid any distortion due to the Lunar New Year holiday.