



## China Reform Monitor No. 1380

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### REVOLUTIONIZING CHINA'S BANKING SECTOR

China is now the world leader in the use of big data and AI to make loans to small and medium size enterprises (SMEs). Once neglected by Chinese bankers in favor of state-owned enterprises, SMEs are now the target of a massive credit expansion, with Jack Ma's four-year-old MYbank leading the charge. Tencent, Ping An Insurance Group Co. and the China Construction Bank Corp. are also ramping up SME lending. Borrowers can use their smartphone to apply and receive cash almost instantly if they are approved. To date, MYbank has lent more than 2 trillion yuan (\$290 billion) to nearly 16 million small companies, with a default rate of only about 1%. Its automated due-diligence process takes only three minutes to assess creditworthiness and analyzes more than 3000 variables including real-time transactions from payment services like the one operated by Ma's Ant Financial, the biggest shareholder of MYbank. The loan approval rate at MYbank is four times higher than at traditional lenders, which typically reject 80% of small-business loan applications and take at least 30 days to process. (Bloomberg, July 27, 2019)

### CHINESE FIRMS RECEIVE LICENSES TO MINE GOLD IN TANZANIA

The African nation of Tanzania has awarded licenses to two Chinese companies to build a mineral smelter and two gold refineries. More than three dozen Chinese companies expressed interest after Tanzania's government formally invited bids to build the facilities. "After carefully assessing the financial capability and history of those companies, we have issued licenses for the construction of two gold refineries and a smelter," confirmed Minister for Minerals Doto Biteko. He did not provide the names of the two companies, but said he would soon formally award the licenses, which would each require more than \$100 million in investment. (Reuters, July 24, 2019)

### AFTER COST CUT, MALAYSIA RESTARTS RAIL PROJECT WITH CHINA

Malaysia has restarted the 640 km East Coast Rail Link project after downsizing building and fiancé costs by a third. The rail project, led by the China Communications Construction Co. and the Malaysia Rail Link Sdn., was canceled last year by Prime Minister Mahathir Mohamad after he balked at the \$16 billion price tag. In April, a new deal was struck with China that cut the cost to about \$10 billion, increased participation by local contractors, and realigned the route. The China Ex-Im Bank will finance 85% of the project at a reduced interest rate that will reduce financing costs from \$8.6 billion to \$5.7 billion. When completed in 2026, the rail will link Malaysia's lesser developed eastern coast to Kuala Lumpur. (Bloomberg, July 25, 2019)

### FOUR CHINESE BLOCKBUSTERS PULLED WITHOUT EXPLANATION

Last month, four would-be blockbuster films were cancelled without notice and minimal explanation. Production costs for one of the cancelled movies, "The Eight Hundred," which paints a positive picture of Nationalist Chinese soldiers holding out nobly against the Japanese army, were estimated to be in the neighborhood of \$80 million. The film cancellations suggest that tensions between politics and profits have emerged since last year, when the Party took charge of approving all films and scripts. In 2018, the State Administration of Press, Publication, Radio, Film and Television was closed and its censorship functions placed under the Communist Party's Propaganda Department. Since then, China's film industry has become increasingly unpredictable. To avoid attracting reassessments from the new censors, some companies are deliberately releasing previously approved movies without much publicity. (CNN, July 28, 2019)

### THE NBA REIGNS SUPREME IN CHINA

In a deal valued at around \$1.5 billion, Chinese tech giant Tencent has renewed its five-year partnership with the NBA. Under the arrangement, Tencent will offer live-streaming, video-on-demand services and other league content until 2025. Tencent spent \$500 million for its last five-year-partnership with the NBA, which began in the 2014-15 season. During the 2018-19 season, around 490 million viewers, nearly triple the audience for the 2014-15 season, watched the NBA latest games on Tencent's platforms, making the company the NBA's largest international partner. This year, more than 21 million Chinese viewers watched game six of the NBA finals. (Quartz, July 29, 2019)