

## Hong Kong & Mainland China News – February-2017

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### **Manufacturing revival keeps up strong pace**

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

Thursday, February 2, 2017

China's manufacturing sector expanded for the sixth month in a row in January as the world's second-largest economy continued to benefit from record bank lending and a construction boom.

The improvement in the industrial sector could give the government more room to tackle high debt levels in many parts of the economy this year, though analysts are not sure if current growth levels can be sustained amid growing risks at home and abroad.

US President Donald Trump and a top economics adviser this week unleashed a barrage of criticism against China, Germany and Japan, saying the three were engaged in devaluing their currencies to the harm of American companies and consumers.

A slowing property market could also dent China's industrial activity this year, dampening demand for building materials from glass to steel.

The official Purchasing Managers' Index yesterday stood at 51.3 in January, dipping marginally from 51.4 in December but slightly better than economists had expected.

The reading remained well above the 50 level which separates expansion from contraction on a monthly basis, indicating that China's factories had carried solid momentum through from a rebound in the second half of 2016, which helped fuel a global manufacturing revival.

Euro zone factories started 2017 by ramping up activity at the fastest rate for nearly six years, according to a survey which showed manufacturers were more optimistic than they have been since at least mid-2012.

## **Trump urged to uphold 'One China' policy**

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

Thursday, February 9, 2017

The Donald Trump administration shouldn't abandon long-standing US policy on the status of Taiwan, a prominent panel of China specialists said, calling such a move "exceedingly dangerous."

Before taking office, the US president questioned Washington's "one China policy" that shifted diplomatic recognition from self-governing Taiwan to China in 1979. He said it was open to negotiations.

But former American officials and scholars said in a report such an approach could destabilize the Asia-Pacific and leave Taiwan more vulnerable.

Sino-US relations are at a "precarious crossroads" and the two world powers could be on a "collision course," it said, describing a rivalry that is growing amid Beijing's assertion of territorial claims in the disputed South and East China Seas.

The report is the product of an expert task force convened by the Asia Society and the University of California San Diego.

China has bristled at the "one China" comments by Trump, who wants to pressure Beijing to narrow its huge trade surplus with America. Beijing also warned of instability in East Asia after Trump's defense secretary, Jim Mattis, said last week on a trip to the region that a US commitment to defend Japanese territory applies to an island group that China claims.

The Trump administration has cast its China policy as part of a "peace through strength" approach.

## **Mainland's factory prices rise for the fifth month**

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

Tuesday, February 14, 2017

Prices for goods at the factory gate on the mainland expanded for a fifth straight month, the government said on Tuesday, in a sign of strengthening demand as the world's second-largest economy stabilises.

The Producer Price Index (PPI) rose 6.9 percent year-on-year in January, according to the National Bureau of Statistics, outstripping an economist estimate of a 6.5 percent increase in a Bloomberg News survey.

Accelerating from the previous month's 5.5 percent, the PPI has been rising since September, when it snapped a four-year streak of declines.

An increase in global crude prices lifted prices in oil and natural gas exploitation, which contributed to the expansion, an analyst with the bureau Sheng Guoqing said in a statement.

The Consumer Price Index, a key gauge of retail inflation, rose 2.5 percent year-on-year in January, the data showed, also beating a Bloomberg analysis that forecast a 2.4 percent increase.

The figures were largely affected by the annual Lunar New Year holiday, which caused prices of fruit and vegetables to rise while a surge in travel sent the cost of flights and hotels up, Sheng said.

## **HK still world's freest economy**

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

Thursday, February 16, 2017

Financial Secretary Paul Chan today welcomed the Heritage Foundation's ranking of Hong Kong as the world's freest economy for the 23rd consecutive year.

According to the foundation's 2017 Index of Economic Freedom Report released yesterday, Hong Kong scored 89.8 out of 100, well above the global average of 60.9.

Among the 12 components measured in the report, Hong Kong achieved high scores of 90 or above in eight components and attained the top positions in fiscal health, trade freedom and financial freedom.

Hong Kong's overall score increased after two years of decline and its lead over Singapore, the second freest economy, has widened further.

The foundation recognised Hong Kong's sound legal system, low tolerance for corruption, effective regulatory systems and open markets.

Mr Chan said he is glad Hong Kong's steadfast commitment to safeguarding free market principles was once again affirmed.

"On top of maintaining our favourable business environment, free trade, simple and low tax regime, the rule of law and independent judiciary, the Government will also strive to enhance our financial infrastructure and foster closer economic co-operation with major trading partners, so as to strengthen Hong Kong's leading position as an international city."

## **HK, Pakistan sign tax plan**

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

Friday, February 17, 2017

Hong Kong and Pakistan have signed a comprehensive agreement for the avoidance of double taxation.

Secretary for Financial Services & the Treasury Prof KC Chan and Pakistan's Ambassador for China Masood Khalid signed the agreement today.

The document sets out the allocation of taxing rights between the two jurisdictions which will help investors better assess their potential tax liabilities from cross-boundary economic activities.

It is the 37th tax agreement Hong Kong has signed with its trading partners.

Under it, any Pakistan tax paid by Hong Kong companies will be allowed as a credit against the tax payable in Hong Kong on the same profits, subject to the provisions of Hong Kong tax laws.

For Pakistani companies, the tax they pay in Hong Kong will be allowed as a credit against the tax payable on the same income in Pakistan.

The agreement will come into force after the completion of ratification procedures on both sides.

For Hong Kong, it will be implemented by an order to be made by the Chief Executive in Council under the Inland Revenue Ordinance, subject to Legislative Council vetting.

## **Cautious budget expected despite surplus**

By news.rthk.hk

Wednesday, February 22, 2017

The Financial Secretary, Paul Chan, will deliver his first and possibly last budget on Wednesday morning. But despite expectations that the government will announce a surplus of at least HK\$70 billion for the current financial year, CY Leung's administration may hold off giving out generous relief measures in its final spending blueprint.

Robust land sales in the past year have significantly boosted revenue, due to mainland property developers who contributed to the government coffer by snapping up sites at much higher-than-expected prices.

Some optimistic accountants expect the surplus to top HK\$80 billion. Former financial secretary John Tsang budgeted to be HK\$11 billion in the black a year ago. And while it's no surprise that the government's estimate is way under again, many families will be shocked if it now decides to scale back relief measures.

The usual one-off "sweeteners" - rates concessions, tax rebates and extra payments for welfare recipients - are likely to stay. But their overall scale is expected to shrink to around HK\$30 billion from last year's HK\$38.8 billion.

Chan has said he hopes the public will find his budget a thoughtful and pragmatic one that addresses the needs of society and Hong Kong's long-term challenges.

It is expected that he will reinvest some of the money saved on relief measures in education. Expanding the free kindergarten programme could be his top priority.

Chan, a former Development Secretary, may also spend some time in his budget speech addressing land and housing issues. But he is not expected to make drastic decisions on public spending, just months before his term and that of the current government comes to an end.

## **391 companies invest in HK**

By archive.news.gov.hk

Thursday, February 23, 2017

Invest Hong Kong helped 391 companies set up or expand their businesses in Hong Kong last year, up 4.3% year-on-year.

The companies come from 40 economies.

Mainland China leads the pack, with 82 Mainland companies investing here, followed by 59 firms from the US, 40 from the UK, 23 from France and 20 from Japan.

Acting Director-General of Investment Promotion Dr Jimmy Chiang said Hong Kong's favourable business environment continues to attract Mainland and overseas investors.

"In the year ahead, we will continue to identify investors from key sectors and markets. Our targets include entrepreneur-led ventures and multinationals that plan to set up or expand in our city."

Dr Chiang added he is optimistic the annual target of assisting 400 companies will be met this year.

## **HK high degree of autonomy**

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

Friday, February 24, 2017

Since the return of Hong Kong to the Motherland, the city has been exercising a high degree of autonomy and “Hong Kong people administering Hong Kong” in strict accordance with the Basic Law.

The Constitutional & Mainland Affairs Bureau issued the statement tonight in response to the UK Foreign & Commonwealth Office’s Six-monthly Report on Hong Kong.

“This demonstrates the full and successful implementation of the ‘one country, two systems’ principle, which has been widely recognised by the international community,” the statement said.

“Foreign governments should not interfere in any form in the internal affairs of the HKSAR,” it added.