

## Hong Kong & Mainland China News – Nov-2013

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### **China's manufacturing activity at 18-month high**

by [bbc.co.uk](http://bbc.co.uk), Hong Kong  
Friday, November 1, 2013

**China's manufacturing activity grew at its fastest pace in 18 months in October, adding to signs of a recovery in the world's second-largest economy.**

The official Purchasing Managers' Index (PMI), a gauge of the sector's health, rose to 51.4 from 51.1 in September.

Manufacturing is a key driver of China's growth and a PMI reading above 50 indicates expansion in the sector.

The data comes just weeks after China reported its economic growth picked up speed in the July-to-September period.

Its economy grew 7.8% in the quarter from a year earlier, up from the 7.5% expansion recorded in the previous three months.

The pick up in the pace of growth was the first in three quarters.

Official figures released last month also showed growth in industrial output, retail sales and fixed asset investment.

#### **'Comfortably exceed'**

After years of blistering growth, China has seen its pace of expansion slow recently.

China has set a growth target of 7.5% for the year.

Analysts said the latest numbers indicated that it was likely that Beijing would meet this.

"This is in line with our relatively benign growth outlook," said Louis Kuijs, an economist at Royal Bank of Scotland.

"With global demand momentum likely to pick up gradually and domestic demand growth remaining solid, we expect GDP growth to comfortably exceed the government's bottom line in the coming quarters."

Mr Kuijs added that he expects China's economy to expand 7.7% in the current year.

A separate PMI reading released by HSBC, which looks at relatively smaller firms, also indicated an expansion in the sector.

The HSBC PMI reading rose to 50.9 in October, from 50.2 in September. It is the strongest improvement in the HSBC index in seven months.

## **HK's advantages touted in Changsha**

by news.gov.hk, Hong Kong

Monday, November 11, 2013

An Invest Hong Kong seminar in Changsha, Hunan Province, today urged companies there to use Hong Kong's business advantages to expand overseas.

The "Hong Kong - Your Platform to Going Global" seminar showcased Hong Kong's competitive edge and the latest developments in its modern service industry, briefing attendees on how their companies could expand overseas via Hong Kong.

Director-General of Investment Promotion Simon Galpin said Hong Kong serves as an ideal testing ground for Mainland companies to 'go global'.

"Hong Kong is well known for having a business-friendly environment, free flows of capital and information, free trade and a free-market economy, a deep pool of international talent, world-class infrastructure, and a sound and independent legal system, as well as a low and stable tax regime," he said.

Hong Kong serves as a comprehensive and modern service industry platform, he said, ready to assist Mainland companies.

## **Exchange Fund foreign assets up**

by news.gov.hk, Hong Kong

Thursday, November 14, 2013

The Exchange Fund's foreign assets increased by \$48.8 billion in October to \$2.565 trillion, the Monetary Authority announced today.

The Monetary Base amounted to \$1.244 trillion.

Claims on the private sector in Hong Kong amounted to \$152.5 billion.

Foreign liabilities, representing fees payable to the Exchange Fund's external managers, amounted to \$300 million.

## **Prevention of tax base erosion and profit shifting**

by ird.gov.hk, Hong Kong

Wednesday, November 20, 2013

Following is a question by the Hon Kenneth Leung and a written reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (November 20):

Question:

In July 2013, the Organisation for Economic Co-operation and Development launched an Action Plan on Base Erosion and Profit Shifting, identifying 15 specific actions needed to tackle aggressive tax planning in respect of profits being shifted to locations where there is little or no real activity but the taxes are low, resulting in little or no overall corporate tax being paid. The Action Plan was endorsed by the Finance Ministers of the Group of Twenty (G20) at their July 2013 meeting in Moscow as well as the G20 heads of state at their meeting in Saint Petersburg in September 2013. In this connection, will the Government inform this Council:

- (a) what actions it has taken to complement the Action Plan; and
- (b) whether it has imminent plans to introduce a more comprehensive transfer pricing regime into the Inland Revenue Ordinance (Cap. 112) to replace the current departmental practice note 46 issued by the Inland Revenue Department?

Reply:

President,

(a) Hong Kong has been closely monitoring the latest development in respect of the Action Plan on Base Erosion and Profit Shifting initiated by the Organisation for Economic Co-operation and Development (OECD). In the light of development, we will embark on studies and engage local stakeholders for appropriate follow-up actions in due course.

(b) Currently, the Inland Revenue Department (IRD) has set out in its Departmental Interpretation and Practice Notes No. 46 the methodologies and practices adopted for dealing with transfer pricing issues. The basis of operation generally follows the guiding principles provided in the OECD Transfer Pricing Guidelines. The regime has been operating well since implementation in 2009. IRD has no plan at this juncture to change the current practices. Nonetheless, IRD will closely monitor international development in this respect, including OECD's discussions, with a view to assessing the need for introducing corresponding measures. We will consult local stakeholders in due course.

## **FS promotes city's RMB business in Paris**

by news.gov.hk, Hong Kong

Friday, November 22, 2013

Financial Secretary John Tsang promoted Hong Kong's offshore renminbi business at a seminar on the currency's internationalisation in Paris.

Paris Europlace, the Hong Kong Trade Development Council and the Hong Kong Economic & Trade Office in Brussels co-organised yesterday's seminar.

Mr Tsang told seminar goers that, as China's global financial centre, Hong Kong has been deeply involved in its financial liberalisation. He said he looked forward to promoting the wider use of renminbi in France and around the world.

He met with French Minister of Economy & Finance Pierre Moscovici, and the Charge d'Affaires of the Chinese Embassy in France, Deng Li.

At a luncheon in Paris with leading business people, he said Hong Kong has the right experience and contacts to help French firms develop their renminbi business.

Mr Tsang returns to Hong Kong today.

## **HK noted for tax transparency**

by news.gov.hk, Hong Kong

Friday, November 22, 2013

Hong Kong has completed a two-phase peer review of its tax regime by an international body, which recognises it has met international standards for tax transparency.

Secretary for Financial Services & the Treasury Prof KC Chan today welcomed the Global Forum on Transparency & Exchange of Information for Tax Purposes' adoption of Hong Kong's Phase 2 peer review report, signifying its successful completion.

The review evaluated Hong Kong's compliance with the international standard on exchange of information.

Hong Kong has all along been supportive of international efforts to enhance tax transparency and combat tax evasion, he added.

## **Total exports value up 8.8%**

by news.gov.hk, Hong Kong  
Tuesday, November 26, 2013

Hong Kong's total exports' value rose by 8.8% to \$323.1 billion in October over a year earlier, compared to a year-on-year increase of 1.5% in September, the Census & Statistics Department announced today.

Within this total, re-exports' value rose 9.1% to \$318.7 billion, while that of domestic exports fell 7.7% to \$4.5 billion. Concurrently, imports' value increased 6.3% to \$361.2 billion, compared to a year-on-year increase of 0.4% in September.

For the first 10 months of 2013, total exports' value rose 3.8% over the same period in 2012. Within this total, re-exports' value increased by 4%, while domestic exports' value fell 7.3% and imports' value increased 3.9%. A visible trade deficit of \$402.1 billion, or 12.1% of imports' value, was recorded for the period.

Comparing the three-month period ending in October with the preceding three months on a seasonally-adjusted basis, total exports' value rose 2.7%. Within this total, re-exports' value increased 2.8%, while domestic exports' value fell 2.9% and imports' value increased 3.5%.

## **Announcements regarding the Avoidance of Double Taxation**

by ird.gov.hk, Hong Kong  
Tuesday, November 26, 2013

The Agreement between the Government of the Hong Kong Special Administrative Region of the People's Republic of China and the Government of Canada for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income has come into effect on 29 October 2013 (30 October 2013)

The Agreement between the Government of the Hong Kong Special Administrative Region of the People's Republic of China and the Government of Canada for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income ("the Agreement") was formally signed on 11 November 2012.

According to Article 27 of the Agreement, the Agreement shall, upon the written notifications by both Sides of the completion of their respective required domestic procedures, enter into force on the date of the later of these notifications.

For the purpose of giving effect to the Agreement, an Order was made by the Chief Executive in Council on 23 April 2013, under section 49(1A) of the Inland Revenue Ordinance. The Order was published in the Gazette as Legal Notice 67 of 2013. The Order was laid before the Legislative Council for negative vetting on 8 May 2013. The vetting period expired on 5 June 2013 and no resolution was made by the Legislative Council to amend the whole or any part of the Order. Thereafter, the Order came into operation on 28 June 2013. On 3 July 2013, Hong Kong sent a notification of the completion of the domestic procedures to Canada. Hong Kong also received a notification dated 29 October 2013 from Canada confirming the completion of the requisite domestic procedures. The Agreement has therefore become effective on 29 October 2013 and shall have effect in Hong Kong, according to paragraph 2 of Article 27 of the Agreement, for any year of assessment beginning on or after 1 April 2014.

## **5.8% growth in HK retail sales**

by rthk.hk, Hong Kong

Friday, November 29, 2013

Hong Kong retail sales grew 5.8 percent in October from a year ago. Jewellery, watches and clocks were the most sought-after items, while sales of electrical goods and photographic equipment decreased.

A government spokesman said favourable labour market conditions and further growth of in tourism should underpin retail business in the near term. But external uncertainties may affect consumer sentiment down the road.