

## **Hong Kong & Mainland China News – Mar-2023**

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### **Chinese factory activity surges to decade high**

by news.rthk.hk

Wednesday, Mar 01, 2023

China's manufacturing activity surged to its highest reading in more than a decade in February, official figures showed on Wednesday, as factories began to return to normal following years of Covid-19 disruption.

February's figures reflected the subsiding of case numbers after a surge that began in December, coupled with the return to work after the Lunar New Year holiday.

The official manufacturing purchasing managers' index (PMI) – a key gauge of Chinese factory output – stood at 52.6 in February, compared with 50.1 a month earlier, the National Bureau of Statistics (NBS) announced.

The reading, the highest since 2012, surpassed expectations, with analysts surveyed by Bloomberg having predicted a much less marked increase to 50.6.

"With the effect of the holidays... and the repercussions of the epidemic fading away, the recovery of production by manufacturing companies accelerated and demand continued to rise," said NBS statistician Zhao Qinghe.

"The strong PMI confirms the economic recovery is on track," Zhiwei Zhang from Pinpoint Asset Management wrote in a note, adding he expected to see macro data further improve over the next few months.

"The strong rebound of domestic demand may lead to inflationary pressure in the next few months, but I don't expect it to be a persistent problem," he said.

The growth trend was confirmed on Wednesday by the independent PMI index by IHS Markit for China's Caixin media group, which stood at 51.6 in February, compared with 49.2 the previous month.

The Caixin survey said employment rose, pressure on supply chains eased and delivery times improved for the first time in eight years.

"The return to a more normal business situation and the expected increase in customer demand means that business confidence for the year ahead is at its highest level for 23 months," it added.

More clues about China's economic health are expected to be revealed on Sunday when the annual session of the National People's Congress opens in Beijing. Premier Li Keqiang will present the last government report of his term in office.

## **HK's future is 'bright' with central govt support**

by news.rthk.hk

Monday, Mar 13, 2023

The nation's new premier Li Qiang on Monday brushed aside concerns that the SAR had become less competitive, saying its future would be even brighter with the central government's support.

Beijing, Li said, will resolutely implement the One Country Two Systems principle while giving full support to Hong Kong and Macau's integration into the country's development and building their global competitiveness.

"It is true that in recent years, due to various factors, both Hong Kong and Macau have experienced some difficulties in their development," he said at a press conference, but he described these challenges as "temporary".

"I'm confident with the strong backing of the motherland and the institutional safeguards of the One Country Two Systems policy, Hong Kong and Macau will only strengthen their position and role, and Hong Kong and Macau will enjoy an even brighter future."

Li also said Taiwan and China are from the same family, and that mainland authorities will continue to promote exchanges and cooperation in economic and cultural aspects with the island.

## 'GDP target sets stage for high-quality development'

by news.rthk.hk

Wednesday, Mar 15, 2023

Beijing's pursuit of high-quality economic development isn't merely a push towards technological and market innovation, analysts told RTHK, but marks a more holistic approach of improving people's lives and the environment, as well as tackling social issues and inequality.

One expert warned that balancing all this could be a difficult juggling act.

President Xi Jinping had repeatedly stressed during the just-concluded "Two Sessions" meeting of China's top political bodies that scientific and technological innovation will be a core driver of high-quality development, but he also noted that the ultimate goal is the happiness and well-being of the people.

"People do not only care about income, but they also care about the quality of the air they breathe in... and they also care about how the community is being managed so that they feel more satisfied," noted Liu Baocheng, founder of the Center for International Business Ethics at the University of International Business and Economics in Beijing.

Liu told RTHK that Beijing had given itself "more room" to focus on high-quality growth, by setting a relatively low economic growth target of around five percent this year.

He said this demonstrates a shift in focus from pursuing high GDP growth to improving the quality of life for the people. This, Liu said, means taking technological advancement, ecological quality and social harmony into account.

The expert said Beijing would also make a push to overhaul energy-intensive industries with high-tech and eco-friendly ones, and require individuals to recycle and reduce waste.

Liu also pointed out that the "Two Sessions" meeting announced the establishment of a new administration to manage data to optimise the digital economy, seen as the new engine for modernising the nation's economic structure.

"The data administration will be charged with a better blueprint of the Chinese telecommunication network, to formulate the new data standard, to manage the right type of government fund [so as] to support the data industry together with the artificial intelligence and cloud computing," Liu said.

Larry Qiu, the chair professor of economics at Lingnan University, agreed that a focus on innovation is the right way forward.

While China has achieved remarkable success in the past by embracing a market economy, he cautioned that "we have reached the stage in which the continued growth from reform will be very difficult."

"So we have to find new ways," Qiu stressed. "And it seems to be in the long run... the only engine of economic growth is innovation, and China needs to put a lot of emphasis on this."

However, Qiu thinks the shift towards high-quality growth will be a long-term effort, saying he believes it may be difficult for the authorities to achieve the five-percent GDP growth target while simultaneously mobilising the needed resources to shift to high-quality growth.

Other challenges the nation will face, Qiu said, will include how to promote cutting edge technology without widening inequality.

"So now we're talking about AI (artificial intelligence) robots, right? This is a good technological advancement, but these are the things which perhaps would enlarge income inequality because they may very likely replace unskilled workers, right?" he queried.

Even initiatives such as the push to develop the Greater Bay Area, he said, would effectively concentrate talent and capital in the region, drawing them away from other parts of the country that are already lagging behind.

As such, he said Beijing will need to figure out how to create incentives for more investment in the central and western parts of the nation so they can also benefit from technological advances and minimise regional inequality.

## **HK banking system resilient: CE**

by news.gov.hk  
Tuesday, Mar 15, 2023

The banking system in Hong Kong is very resilient and properly regulated, Chief Executive John Lee said today.

Mr Lee made the remarks ahead of this morning's Executive Council meeting in reply to questions from reporters on the Credit Suisse takeover.

"I am aware of the crisis that is being looked at seriously because of the Credit Suisse takeover. The Swiss National Bank has already indicated that they will be helping in dealing with the crisis. Also, there are six central banks that have indicated that they will be providing sufficient US dollar liquidity to the market.

"The size of Credit Suisse's business and their assets under management in Hong Kong are relatively small. The banking sector is operating smoothly and normally. The liquidity of the market is also very abundant. So both the Hong Kong Monetary Authority and the Securities & Futures Commission are monitoring the situation closely. We will be managing the risks."

Mr Lee added that the Government is confident the Credit Suisse fallout will not affect Hong Kong in a significant way.

"We are in regular communication with different authorities around the world. So we will be having first-hand information about the situation of the market.

"It is important for everybody to know that the adequacy and liquidity level of the Hong Kong financial and banking sectors are very healthy and abundant to be able to handle the pressure in the market."

## HK maintains financial ranking

by news.gov.hk

Thursday, Mar 23, 2023

Hong Kong maintained fourth place globally in the Global Financial Centres Index 32 Report published today by Z/Yen from the UK and the China Development Institute from Shenzhen.

In a statement, the Government said Hong Kong's improved rankings in the four areas of business environment, infrastructure, financial sector development, and reputational and general, fully reflect the city's strengths and advantages as a leading global financial centre.

Hong Kong's rankings in these four areas rose by two places as compared with the previous issue.

Financial industry practitioners based in Hong Kong were the most confident about the city's future competitiveness as an international financial centre, as compared to the assessment by practitioners from other major financial centres on the prospects of the cities in which they were based.

The Government said in view of intense international competition, it has adopted a more vigorous and proactive development approach to consolidate Hong Kong's strengths and continuously enhance the city's competitiveness.

It is pressing ahead with institutional enhancements and policy innovations as well as boosting promotion and publicity on Hong Kong's full return to normalcy.

The Government noted that it will continue to make good use of Hong Kong's institutional advantages under "one country, two systems" to strengthen the city's capital market and its role as an international financial centre, adding that it was confident the financial system could withstand external shocks and remain resilient.

The Government also cited President Xi Jinping's address at the closing meeting of the first session of the 14th National People's Congress, which outlined firmly promoting high-quality development and making solid efforts in advancing the implementation of the "one country, two systems" principle.

Pointing out that the 14th Five-Year Plan confirms Hong Kong's important functions and positioning in the country's overall development, the Government said the city will continue to consolidate its status as an international financial centre.

Hong Kong will also give full play to connecting markets and investors of the Mainland and overseas, serving the country's needs with its strengths.

Recently, the Central People's Government promulgated an opinion setting out 30 measures on financial reform and innovation, further strengthening the connection and high-level co-operation between the financial markets of Hong Kong and Shenzhen, and providing more opportunities for Hong Kong's financial sector.

With the country's staunch support and Hong Kong's unique advantages under "one country, two systems", the city will continue to create a strong impetus for growth and seize historic opportunities offered by the national development, the Government added.

## Family office policy stated

by news.gov.hk  
Friday, Mar 23, 2023

The Government today issued the Policy Statement on Developing Family Office Businesses in Hong Kong, which sets out its policy stance and measures on developing a vibrant ecosystem for global family offices and asset owners.

It explained that the aim of its policy measures is to create a conducive and competitive environment for the businesses of global family offices and asset owners to thrive in Hong Kong.

Based on the original Capital Investment Entrant Scheme, the Government proposes that the permissible assets for the new scheme should include equities listed in Hong Kong; debts issued or fully guaranteed by companies listed in Hong Kong, by the Government, or by other corporations, agencies or bodies wholly or partly owned by the Government; subordinated debts issued by authorised institutions; and eligible collective investment schemes.

Besides assets denominated in Hong Kong dollar, assets denominated in renminbi will also be considered. Upon approval, applicants may reside and pursue development in Hong Kong along with their spouse and dependant unmarried children. Details of the scheme will be announced later.

Subject to approval by the Legislative Council, profits tax exemption will be provided to family-owned investment holding vehicles (FIHVs) managed by single family offices in Hong Kong. The Government will also further review the existing preferential tax regimes for funds and carried interest.

The Securities & Futures Commission has recently issued a few quick reference guides to address frequently-asked questions about licensing requirements, with one specifically catering for family offices.

The Government noted that having due regard to investor protection, regulators will introduce a set of more risk-based measures to streamline intermediaries' suitability assessment and disclosure process for sophisticated or ultra-high-net worth individual clients.

Additionally, it will fund the setup of a new Hong Kong Academy for Wealth Legacy under the Financial Services Development Council.

It will also offer talent development services to industry practitioners and next-generation wealth owners, with a view to cultivating a deep talent pool for the family office sector in Hong Kong.

Moreover, the Government pointed out that the Airport Authority is exploring the establishment of storage, display and appreciation facilities for art and treasures at the Hong Kong International Airport. The move will enable global family offices with capital allocation in art to benefit from the city's thriving art ecosystem.

It added that its goal is to develop Hong Kong into a philanthropic centre for global family offices and enable philanthropists to deploy charitable capital benefiting Hong Kong, the Mainland and overseas.

As part of that objective, it will enhance the processing of applications for recognition of tax exemption status of charities.

For tax exemptions offered to FIHVs managed by single family offices in Hong Kong, the Government plans to enhance the legislative proposal by expanding the extent of the beneficial interest that an exempted charity may hold in an FIHV.

Meanwhile, the dedicated FamilyOfficeHK team under InvestHK will expand its role to cover services like facilitating philanthropic endeavours of wealth owners and assisting in education related matters.

The FamilyOfficeHK team will also convene and launch a new Network of Family Office Service Providers, covering private banks, accounting and legal firms, trusts and other professional services firms.

The network will provide a two-way channel between the Government and the industry to communicate on the latest policy development, and mobilise the industry's global network to advocate and promote the opportunities in Hong Kong for family offices.

## **Ratings agency Fitch affirms Hong Kong at AA, with stable outlook**

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

Thursday, Mar 30, 2023

Ratings agency Fitch affirmed Hong Kong at 'AA-' with a stable outlook on Thursday, forecasting its economy to rebound by 4 percent this year, following a contraction of 3.5 percent in 2022.

The Asian financial hub has been battered by pandemic restrictions and a spillover from China's zero-Covid policies, but recovering consumer spending on the mainland and a rebound in travel are expected to help the economy this year.

The ratings agency forecasts growth of 3.5 percent in Hong Kong in 2024 and expects the city's budget deficit to narrow only gradually to about 3.7 percent of GDP this year.

"AA" ratings denote expectations of very low default risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

## **China committed to economic opening up, reforms, Premier Li says**

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

Thursday, Mar 30, 2023

China is committed to opening up the world's second-largest economy and delivering reforms that can help stimulate growth, Premier Li Qiang said on Thursday, adding that geopolitical tension would only hold back development worldwide.

Li's comments at an international business summit in the island province of Hainan, are his latest calls for Beijing to bolster its economic recovery in the face of strained relations with the United States and its allies over everything from Russia's war in Ukraine to technology exports and Taiwan.

His comments were delivered on a panel alongside the prime ministers of Malaysia, Singapore and Spain - which all have close trade and diplomatic ties with Beijing.

"No matter what changes take place in the world, we will always adhere to reform and opening up," Li, who took office this month, told the panel at the annual Boao Forum.

"We will introduce a series of new measures in expanding market access and optimizing the business environment ... Peace is a prerequisite for development," he said.

Covid curbs battered China's economy for three years before being dropped in December, and Li said there were signs a recovery was starting to take hold.

China has set itself a modest target for gross domestic product growth of about 5 percent this year, after significantly missing its target for 2022. That is lower than what the International Monetary Fund and some private forecasters think it can achieve.

"Judging from the situation in March, it's better than in January and February. In particular, major economic indicators such as consumption and investment continue to improve, while employment and prices are generally stable," Li said.

In veiled comments aimed at the United States, which is working with its allies to stymie China's access to advanced technologies such as microchips, Li said Beijing opposed trade protectionism and decoupling.

Relations between the two superpowers have been tense for years and worsened last month after the United States shot down a high-altitude balloon off the U.S. East Coast that it says was a Chinese spying craft.

Another flashpoint in U.S.-China rivalry has been Taiwan, the democratically ruled island that China claims as its territory.

In the latest escalation, Taiwan President Tsai Ing-wen arrived in New York on Wednesday for the first of two U.S. stopovers that Beijing has called provocative.

In his speech, Li said "chaos and conflicts" must not happen in Asia and that China would act as an "anchor" for global peace.