

## Hong Kong & Mainland China News – October-2016

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### **Yuan joins elite IMF club**

By news.rthk.hk

Saturday, October 01, 2016

The yuan will on Saturday join the International Monetary Fund's elite SDR basket of currencies, a symbolic coup for policymakers in Beijing.

The decision was first announced in November last year, when the IMF found that China's currency met the standard of being "freely usable".

The yuan now joins a club also comprising the US dollar, pound, yen and euro. Created in the 1960s, the "Special Drawing Right" is a unit of account used by the International Monetary Fund as a foreign exchange reserve asset.

In announcing the change, IMF Managing Director Christine Lagarde said that the inclusion of the yuan - also known as the renminbi - showed China's improved stewardship of its economy.

She said: "The renminbi's inclusion reflects the progress made in reforming China's monetary, foreign exchange and financial systems and acknowledges the advances made in liberalising and of its financial markets."

### **HK should seize RMB opportunities**

By news.gov.hk

Wednesday, October 12, 2016

Hong Kong should make good use of the opportunity arising from the internationalisation of the renminbi, which will contribute to China's well-being.

Financial Secretary John Tsang made the statement at a media session in New York yesterday, saying Hong Kong has the biggest liquidity pool in the world of about 750 billion yuan and is doing about three quarters of the world's business in terms of trade settlement using renminbi.

As the currency is now included in the basket of Special Drawing Rights, the demand for renminbi transactions will increase.

"We want to make good use of this opportunity for Hong Kong so that we can do even more in this process, contributing to the well-being of our nation."

He said Hong Kong is a free economy with an attractive environment, including low tariffs and tax rates, no inheritance tax, no capital gains tax, no GST or VAT, and is an attractive place for American businesses.

"I hope there will be more American companies coming to Hong Kong. In fact there are quite a lot, we have probably the largest American Chamber of Commerce outside of the US and about 90,000 people of American nationality live in Hong Kong."

The HK-US dollar peg has worked well and there is no intention to de-peg, he added.

## Legal Belt and Road role touted for HK

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

Wednesday, October 12, 2016

As the center of where East meets West, Hong Kong can play a special role in settling disputes that may arise as a result of the "Belt and Road" mechanism, according to Wang Zhenmin, director general of the central government liaison office's legal department.

He said a dispute settlement mechanism earlier suggested by President Xi Jinping was discussed at yesterday's forum in Macau.

"Hong Kong has a healthy rule of law, and has much experience in solving disputes using common law. It's important not only for our country, but also for countries along the Belt and Road," Wang said.

He said none of the mainland cities have the same connections that Hong Kong has with the international world, which gives the SAR the advantage in solving disputes. However, given that Hong Kong is a common law jurisdiction, there may be some disputes that are not resolvable in courts, Wang said.

"When constructing a dispute settlement system, we may also find some wisdom from our ancient legal civilization," he added.

For example, Wang said that during the Ming dynasty, officials were able to reconcile the differences between two brothers in a heritage dispute. He also said the Belt and Road strategy had already made great strides since its introduction in 2014, and that more than 30 countries had signed agreements with China, with more than 20 cooperation projects already initiated.

Wang Guiguo, president of the International Academy of the Belt and Road, said the dispute settlement mechanism should manifest the culture of Belt and Road countries, which are mainly Asian nations using continental law.

"Since most countries are Asian with continental law, their culture, tradition and conventions should be fully manifest in the future system," he said. But he recognized many international disputes are solved using common law.

His academy suggests mediation should be introduced as the official mandatory mechanism.

"Mediation should be used first before any other measure is introduced. If it fails, then it goes to arbitration," Wang said.

## **Mainland's factory goods prices rise after 4 years**

By news.rthk.hk

Friday, October 14, 2016

The price of goods at the factory gate on the mainland rose for the first time in more than four years in September, officials said on Friday, in a positive sign for demand in the country.

The producer price index (PPI) rose 0.1 percent year-on-year in the month, according to the National Bureau of Statistics, adding it "ended 54 consecutive months of year-on-year falls".

Mainland firms have for years been battered by falling prices for their goods in the face of chronic overcapacity and weak demand, putting a damper on growth in a key driver of the world economy.

Protracted drops in the PPI bode ill for industrial prospects and economic growth, as they put off customers – who seek to delay purchases in anticipation of cheaper deals in future – starving companies of business and funds.

September's increase was the first rise since January 2012 and came in ahead of expectations of a 0.3 percent fall in a survey of economists by Bloomberg News. The consumer price index, a key gauge of retail inflation, rose 1.9 percent, also above expectations of 1.6 percent.

## **Mainland records 6.7 percent growth in 3rd quarter**

By news.rthk.hk

Wednesday, October 19, 2016

The mainland's economic growth was steady at 6.7 percent in the third quarter, government data showed on Wednesday, a sign of stabilisation in the world's second-largest economy.

The results slightly exceeded the median analyst expectation of 6.6 percent in an AFP poll.

"The general performance was better than expected", the National Bureau of Statistics (NBS) said in a statement. "The national economy grew steadily with progress made and quality improved".

The figure keeps the country on track to meet Beijing's target of 6.5 to 7 percent growth for this year, but comes amid warnings that authorities have relied too much on easy credit, increasing financial risks.

"We must be aware that the economic development is still in a critical period of transformation and upgrading, with old drivers of growths to be replaced by new ones", the NBS said.

"With a number of unstable and uncertain domestic and external factors", it added, "the foundation of continued economic growth is not solid enough".

The mainland's industrial output growth eased to 6.1 percent on-year in September, down from 6.3 percent in August, as sluggish global demand weighed on the world's biggest trader in goods.

Fixed-asset investment rose 8.2 percent in the first nine months of the year, while retail sales rose 10.7 percent on-year last month, representing a slight acceleration from August.

## More companies choosing HK

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

Wednesday, October 26, 2016

The number of business operations in Hong Kong with parent companies overseas and on the Mainland has climbed to 7,986 this year, compared to 7,904 last year.

The results of an annual survey by Invest Hong Kong and the Census & Statistics Department released today showed, in terms of source country or territory, Japan topped the list with 1,376 companies in Hong Kong, followed by the US (1,353), the Mainland (1,123), the UK (656), Taiwan (387) and Singapore (382).

A total of 1,379 of the operations are regional headquarters, 2,352 are regional offices and 4,255 are local offices.

They employ a record 435,000 people, up 3% on last year.

Acting Director-General of Investment Promotion Charles Ng said: "Despite ongoing uncertainties in the global economy, we are cautiously optimistic going forward."

He added Hong Kong continues to attract overseas companies and Mainland firms with its unique location in the region, its role as the super-connector between the Mainland and the rest of the world, and the Government's innovation push.

## HK signs tax deals with Japan, UK

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

Wednesday, October 26, 2016

Hong Kong signed agreements today with Japan and the UK to start automatic exchange of financial account information on tax matters in 2018.

The Secretary for Financial Services & the Treasury issued a notice to put the two countries on a list of "reportable jurisdictions" under the Inland Revenue Ordinance.

The notice will be gazetted on October 28 and tabled at the Legislative Council on November 2. The provisions will come into operation on December 31.

The Government said Hong Kong supports international efforts to enhance tax transparency and combat cross-border tax evasion.

The two agreements will pave the way for Hong Kong's timely implementation of the automatic exchange, which is important to maintain the city's reputation as an international financial centre and a responsible member of the international community, it added.

Under the automatic exchange standard, a financial institution is required to identify financial accounts held by tax residents of reportable jurisdictions in accordance with the Organisation for Economic Co-operation & Development's due diligence procedures.

They are required to collect the reportable information of these accounts and furnish such information to the Inland Revenue Department beginning from the reporting year.

The department will exchange the information with the tax authorities of automatic exchange partner jurisdictions annually.

## **Hong Kong rises in world ease to do business list**

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

Thursday, October 27, 2016

Hong Kong ranks fourth among 190 global economies in a World Bank report on the ease of doing business, up one place from No. 5.

New Zealand has overtaken Singapore as the best country in the world to do business, according to the bank's 2017 "Doing Business" report. Singapore slipped to second after topping the ranking for a decade. Denmark ranks third, while China rose to 78th from 84th.

The report ranks countries based on 10 sets of indicators such as the ease of starting a business, dealing with construction permits, accessing electricity and obtaining credit.

The Washington-based development lender commends Hong Kong for implementing reforms to make doing business easier, namely waiving the business registration fee for 2016-17, streamlining the processes of reviewing applications for new electrical connections and reducing the time needed to issue an excavation permit.

Among the 10 indicators, Hong Kong sustains its high ranking as third in "protecting minority investors." The SAR has improved in four other indicators, namely in starting a business, getting electricity, paying taxes and dealing with construction permits. But it ranks 61st in terms of registering property.

The Government said it will study the report carefully to identify scope for further improving the business environment and reforming existing regulatory regimes.