

### Economy + Finance

**HK signs new supplement to Ceps:** HK signed a new supplement to the Ceps trade pact with the mainland, giving further preferential access for the city's service sectors across the border on August 29. The 10th supplement to the Closer Economic Partnership Arrangement includes 73 new measures covering banking, securities, legal, film, testing and certification sectors. The pact was first signed in October 2003 when HK was struggling to recover from an economic downturn following the Sars epidemic that year. It has been expanded since then. The latest supplement takes the total number of measures signed under the agreement to 403. It will come into effect in January next year.

**Good news on growth for city's finances:** The latest economic estimates for the city show signs of optimism, with government economists predicting lower inflation for this year than earlier forecast. The updated figures also show a cooler property market. Principal economist Andrew Au, however, saw the need for stabilising measures to continue as the overall market remained volatile. The mainland was still outperforming other major economies and should stay a stabilising force in the region, Au noted. That, together with HK's "ongoing infrastructure works, the robust expansion of inbound tourism and budget measures, should provide support for the local economy", he said. The HK economy grew 3.3 per cent in the second quarter, up from 2.9 per cent in the first three months. However, Au warned of "notable uncertainties in the external environment". For example, "the future direction of the US monetary policy has emerged as a new source of uncertainty", he said.

**Property-cooling measures here to stay:** The government would neither relax nor withdraw its property-cooling measures as hot cash remained abundant in the global market, Chief Executive Leung Chun-ying warned. "Some people in society and lawmakers want the government to lessen the measures, but we must be aware that it has not been easy to steady the market in the past year," Leung wrote. The Legislative Council, now in its summer recess, has yet to pass the two bills for three new property taxes: the 15 per cent "buyer's stamp duty" to be levied on foreign and corporate buyers of residential flats; the "special stamp duty" against the resale of flats within 36 months, adjusted from 24 months; and the "double stamp duty" on all buyers of residential and non-residential properties, except HK permanent residents who don't already own a flat. The taxes have already taken effect, with the bills to become retroactive if passed.

**HK keeps edge for mainland Chinese shoppers:** The mainland's middle-class consumers may have more choices than ever, but they still look to HK to set the trends, a survey from the HK Trade Development Council has found. The survey examined the shopping and lifestyle habits of middle-class consumers in eight cities: Beijing, Shanghai, Guangzhou, Chengdu in Sichuan, Wuhan in Hubei, Shenyang in Liaoning, and Nanjing and Changzhou in Jiangsu. Eighty-four per cent of the survey's 1,600 respondents agreed that "HK is the place of origin of fashion trends and the trendsetter". Mainland shoppers' preference for foreign brand names remains strong. Clothing, shoes and electronics were the top three categories for foreign brand purchases, although there was a distinct shift towards subtle luxury and a disdain for fake products.

**Beijing move for expanded cruise 'will boost Kai Tak Terminal':** Mainland tour groups setting off from HK to Taiwan on cruise ships can now travel onwards to Japan or South Korea before returning home, Beijing authorities say. The move will bolster the ambition of HK, which recently opened the modern Kai Tak Cruise Terminal, to be a home port for cruises. The easing of the travel arrangements takes effect a year after it was announced as part of the latest phase of the Closer Economic Partnership Arrangement between the mainland and HK.

### Domestic politics

**Chief Executive Leung Chun-ying stands by Paul Chan in land row:** Chief Executive Leung Chun-ying reiterated his support for Development Secretary Paul Chan. He said Chan should remain in office despite the conflict-of-interest scandal surrounding his family's ownership of land on the site of a proposed New Territories new town. On August 2, Chan's aide, political assistant Henry Ho, whose family was revealed to own land in the same area, apologised for failing to declare their ownership and resigned from the government. Ho's resignation increased pressure on Chan to step down. Former civil service secretary Wong Wing-ping echoed calls for Chan to quit. "He might have declared interests according to the guidelines but that does not mean he meets the higher integrity standards [expected] of a top official," he said.

**Franklin Lam in clear on IAC flat sales probe, but he quits Exco:** Executive councillor Franklin Lam quit, even though the Department of Justice decided not to prosecute him over allegations of misconduct in public office and offering illicit advantages. Lam stepped down after nine months' leave of absence prompted by criticism he made use of insider information to sell two flats ahead of new housing stamp duties. Chief Executive Leung Chun-ying accepted his resignation with regret. He becomes the second Exco member to step down since Leung took office 13 months ago. Barry Cheung quit in May after being investigated by police over his failed HK Mercantile Exchange.

**Ministers facing tougher conflict-of-interest rules:** New conflict-of-interest guidelines mean HK ministers will have to take into account the business interests of family and friends to avoid being drawn into scandals. The rules follow a series of embarrassments involving members of Chief Executive Leung Chun-ying's cabinet. In the

latest incident, development minister Paul Chan and his political assistant, Henry Ho, were caught up in a row over the ownership of plots of land that will be redeveloped in the New Territories. The guidelines do not apply to non-official Exco members. Some lawmakers say new guidelines concerning conflict of interest involving ministers are flawed because they fail to stipulate penalties for a failure to comply.

**Viral video sparks political row dividing HK:** What began as a row between a primary school teacher and a few policemen at the way officers were handling a dispute between the Youth Care Association and the Falun Gong has escalated into a political movement that has sharply divided the city. Nearly 3,000 people with opposing views took to the street on August 4 to express their anger. Some analysts warn that social tensions are running so high that any incident, if not handled properly, could trigger a political firestorm. Others fear free speech may be under threat. It all started with a video clip that went viral. It shows Alpais Lam, a teacher losing her temper and shouting abuse at police handling a dispute between rival groups the Youth Care Association and the Falun Gong in the pedestrian-only zone in Mong Kok. Youth Care is widely regarded as a pro-Beijing group, while Falun Gong is outlawed on the mainland but tolerated in HK. Lam is seen accusing police of not handling the dispute fairly. Now the saga has taken on a new dimension, turning into a confrontation between pro-Beijing and pro-democracy camps. Lam's supporters, including some pan-democrats, praised the teacher for her bravery, while her critics said she set a bad example for young people. Veteran China-watcher Johnny Lau said the focus should have been on whether the police had abused their power in handling the dispute. Lau warned that further confrontations could occur unless the government can balance the interests of rival sides.

**HK police watchdog chief warns of breakdown between police and public:** The chairman of the police watchdog has warned of a possible breakdown in the relationship between the public and the force, blaming mistrust in the government which he says has reached a critical point. Jat Sew-tong, a senior barrister and part-time High Court judge, called on the police to urgently review the force's guidelines on what events frontline officers can and cannot take part in. His comments follow a rally in support of the police on August 4 at which a senior officer spoke to the crowd. A group opposed to the rally invaded the stage, delaying its start, and there were scuffles between the two groups. The rival protests were a reaction to a video posted online of a teacher abusing police for the way they handled a dispute between the Falun Gong spiritual movement and the Youth Care Association. "The relationship between the public and police has reached a dangerous level...What the frontline officers are facing is a reflection of public mistrust of the government," Jat said.

**CY's popularity sinks below the 'warning line':** The chief executive's popularity has plunged below the "warning line" and his administration could be thrown into a crisis of governance, a pollster warns. Robert Chung, director of the University of HK public opinion programme, was responding to the latest poll which shows Leung Chun-ying's popularity rating at yet another record low: 43.7 marks out of 100. He added that politicians with a score under 50 were already in negative territory, and if the rating dipped below 45 that could indicate a credibility crisis.

### Relations HK - Mainland China

**Legco chief says Beijing might agree to democrat:** Beijing would be unlikely to veto a mildly pan-democratic chief executive candidate elected by Hongkongers in 2017, Legislative Council president Jasper Tsang said. But if the central government did so, riots in the city's streets would be inevitable, and such a consequence was well understood among central officials. However, Tsang warned that Hongkongers should think twice before electing a radically anti-Beijing person whose refusal by Beijing could result in a "serious crisis" for the city's constitutional development.

### International relations

**Beijing warns US to stay out of HK politics:** Beijing's top diplomat in HK has warned the American consul general to steer clear of the debate on the city's constitutional development. Song Zhe, the Ministry of Foreign Affairs' commissioner in HK, spoke out after the United States consul general Clifford Hart said he was looking forward to Hongkongers' move towards "genuine democratic suffrage". A spokesman for the US consulate responded that the United States' long-standing policy towards HK was unchanged. Echoing Hart's words, he added: "[We] look forward to HK's continued progress toward genuine universal suffrage ... in accordance with the Basic Law ... and the aspirations of the HK people." Song's office reported that the commissioner met Hart on August 27 and briefed him on "the successful implementation of the 'one country, two systems' policy in HK and stated the central government's position on relevant issues". One of Hart's top priorities is expected to be rebuilding trust with HK following the Edward Snowden saga. Snowden was allowed to leave HK despite a Washington request to arrest him on espionage charges.

**C.Y. Leung vows justice for Manila bus hostage victims:** The chief executive C.Y. Leung promised on August 18 to use all means possible to fight for justice for victims of the Manila bus hostage tragedy almost three years ago. Tse Chi-kin, brother of tour guide Masa Tse who was killed in the hostage tragedy, questioned Leung on his progress in dealing with the aftermath of the shooting. Leung said he would never forget the tragedy and vowed to fight for justice for the victims and their relatives. "The government has met the Philippine consulate 23 times since 2012 and the latest meeting took place just on August 12," Leung said. Tse is seeking a formal apology and compensation from Manila over the deaths of his brother and seven Hong Kong tourists, who died when their bus was hijacked by disgruntled former policeman Rolando Mendoza.

### Legal affairs and human rights

**HK\$1.39b in criminal proceeds frozen; more punished for laundering:** The city froze HK\$1.39 billion in crime proceeds under court orders last year - the largest in three years - with the government confiscating HK\$50

million, the Department of Justice said. Prosecutors also took more money laundering cases to court - 441 last year compared with 290 in 2011 - leading to the conviction of 166 people. Director of Public Prosecutions Kevin Zervos also insisted the right to demonstrate was being upheld amid claims by activists that protesters were increasingly being prosecuted. He called the right to peaceful and lawful demonstration vital, but noted a rise in demonstrations in which people displayed "aggressive and sometimes violent behaviour".

**Barrister Keith Yeung to be first HK Chinese chief prosecutor:** Senior barrister Keith Yeung will be appointed the first HK Chinese director of public prosecutions next month. He takes over from the incumbent, Kevin Zervos. The appointment of the commercial litigation specialist met with mixed reactions. A veteran lawyer called into question Yeung's reported ties with rich and powerful businessmen. A former deputy High Court judge, Yeung, 48, vowed to be fair and impartial and uphold the rule of law.

### Health

**More tests ordered on dairy products amid botulism scare:** HK's health minister has ordered tests for bacteria to be widened from milk formula to dairy products, as a partial recall of another brand began amid a contamination scare surrounding a New Zealand producer. Concerns are rising over the discovery of botulism-causing bacteria in an ingredient supplied by Fonterra, the world's biggest dairy foods exporter. Secretary for Food and Health Dr Ko Wing-man said: "There is a need to step up random checks on milk formula. We are also concerned that the affected ingredients may have been added to other goods, such as dairy products, and have entered HK. The Centre for Food Safety has to enhance its testing." The New Zealand consulate said it would update HK's food safety authorities. (A botulism scare that sparked global recalls of Fonterra milk products was a false alarm and there was never any danger to the public, New Zealand officials said on August 28.)

**Guangdong case of H7N9 bird flu is confirmed as HK remains alert:** A poultry worker was confirmed as having contracted the deadly H7N9 bird flu virus, health officials said, the first case in the southern Guangdong province as nearby HK remained on alert. HK Centre for Health Protection controller Dr Leung Ting-hung said that the city might see its first infection in the next few months if the Guangdong case was confirmed. "After all, cross-border activities are so frequent; we should be prepared for that. We should be mindful of the situation, as Guangdong is adjacent to HK," Leung said. "We are also paying attention to whether the virus has the ability to spread from human to human."

### Environment

**Legco to vote on landfills next year:** The government hoped to reapply for funding to expand the city's three landfills early next year, Chief Secretary Carrie Lam said after visiting two villages close to the Tuen Mun facility. The proposals to extend the Tuen Mun, Tseung Kwan O and Ta Kwu Ling landfills would be tabled in the Legislative Council together. The government tried to seek funding for the expansion from Legco last month, but withdrew the Tseung Kwan O plan amid strong opposition. Lawmakers decided to defer scrutiny of the other two sites. Lam said she recognised the residents' concerns about the expansion plans. She hoped to work on laws banning unmodified trucks, which leaked, from accessing the three landfills; allowing only construction waste at the Tseung Kwan O landfill; and increasing incentives for people to use refuse transfer stations in the summer.

**Second landfill leakage stokes talk of cover-up:** Environmental authorities have drawn fire for covering up the scale of effluent leaks from landfills, after a top official admitted that seepage from the Ta Kwu Ling tip was not an isolated case. The landfill in Tuen Mun was similarly plagued by the problem, assistant director David Wong of the Environmental Protection Department said on August 29. But the department released a statement rejecting Wong's admission on the same day. The statement conflicted with evidence provided by residents in the area and fuelled speculation on the extent of the cover-up. It said investigations held last year found no leachate leak and the discharge was only a surface run-off due to heavy rain.

### Culture and education

**Equality chief wants end to schools for minorities:** A system that designates certain schools for ethnic minority pupils separates the children from the mainstream and should be abolished, the chief of the city's discrimination watchdog says. The 31 schools offer an easier curriculum for the Chinese language and most of their pupils are non-Chinese speakers. Equal Opportunities Commission chairman Dr York Chow said the segregated system was not working. "I personally think it should be abolished. Ethnic minority pupils cannot blend into [the mainstream]. There is also a big gap between the levels of Chinese taught at their schools and the mainstream schools." The discrepancy in Chinese standards jeopardises their chances of enrolling in universities and fewer than 1 per cent of them take up government-subsidised places in degree programmes, compared with 18 per cent of students overall.

### Varia

**Fewer consider HK to be corruption-free: HKU poll:** The public's perception of how corruption-free the city is has fallen to a 15-year low, a University of HK survey shows. Pollster Robert Chung, who directed the programme, said the drop may have been a result of former graft-buster chief Timothy Tong's spending scandal as well as the "many conflict-of-interest cases among public office bearers" recently. Asked about the findings, a spokesman for the Independent Commission against Corruption said the city's overall corruption-free practices had not deteriorated, according to the agency's observations. But recent complaints filed against several government officials might have raised public concern and affected their perception, he said.

**HK's elderly 'among poorest in developed world':** HK's elderly are not only the poorest people in the city, they are among the poorest in the developed world. Close to a third of people aged 65 and over are classified as poor,

according to calculations released by the HK Council of Social Service. The figure prompted a fresh call by the council for action on a universal pension scheme. "HK's elderly poverty is considered very serious internationally," council business director Chua Hoi-wai said, adding that retirement protection in the city was underdeveloped and non-comprehensive.

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