

### Economy + Finance

**HK retail sales decline for fifth month amid fewer tourist arrivals and stock turmoil:** Retail sales in HK declined for a fifth straight month in July, as a further drop in tourist arrivals and stock market turmoil exacted a toll on consumption. The value of total retail sales in July dipped 2.8 per cent year on year to HK\$37.6 billion, following a 0.4 per cent year-on-year drop in June. Facing a sluggish retail market, commercial landlords were now more realistic and willing to cut rents by up to 40 per cent. The number of mainland visitors plunged 9.8 per cent year-on-year to about 3.85 million in July.

**Free trade areas and cross-border yuan lending take priority for HK-Guangdong cooperation:** The development of free trade areas and cross-border yuan lending would take priority as HK and Guangdong continued to boost economic cooperation, Guangdong Governor Zhu Xiaodan and Chief Executive Leung Chun-ying said. Guangdong and HK signed a number of cooperative agreements on education, food safety, e-commerce, intellectual property and joint rescue coordination.

**HK Trade Development Council cuts 2015's export forecast on back of uncertain global economy:** HK Trade Development Council has cut its forecast for the city's export growth this year from 3 per cent to zero amid uncertainties in the global economy. TDC director of research Nicholas Kwan said a possible interest rate rise in the United States could further weigh on HK's export sector in the medium and long term, but played down its impact on the city's export performance for the rest of the year. Ryan Lam, head of research at Shanghai Commercial Bank, expressed concern that the mainland's slowing growth would take a heavy toll on HK's economy and eventually cost more Hongkongers their jobs.

**HKMA says US Fed decision does not mean zero rate environment will last much longer:** HK Monetary Authority chief executive Norman Chan said that the US Federal Reserve's decision not to raise interest does not mean the low interest rate environment will last much longer. "There were a lot of hot money inflows to the emerging markets over the past few years. When the US economy recovers and the US dollar strengthens, it is natural to see capital outflow from the emerging markets and back to the US and Europe," he said.

**'China's Rupert Murdoch' teams up with Hollywood giant Warner Bros in HK to make films in China:** Li Ruigang's China Media Capital (CMC) and Warner Bros Entertainment will form an international production and distribution joint venture called the Flagship Entertainment Group that will be headquartered in HK. It aims to capitalise on the burgeoning film market in mainland China, the world's second largest, where box office receipts increased by 36 per cent last year to 29.6 billion yuan (HK\$36 billion).

**HK's cost of living a worry for potential European investors, EU's top envoy says:** Vincent Piket, head of office of the European Union to HK and Macau, said that HK was becoming less affordable as a place to live and work since Westerners began to turn to the job market in Asia after the financial crisis hit developed economies in 2008. Soaring rents and house prices and hefty school fees are "definitely an issue" of concern for investors. "This will require ... attention from the government, particularly on the aspect of international schools, which are expensive and not always affordable for everybody who comes here without expatriate benefits," he said.

**HK the best place for expats to advance their careers, but study finds Singapore the best place to live:** HK is the best place in the world for expats to advance their careers, but it ranks behind Singapore and Taiwan as a place to live and work, according to a survey conducted by the research firm YouGov and commissioned by HSBC. HK emerged as a great career choice. Yet other factors, such as quality of life and ease of raising a family, held the city back. Overall it finished 11th, ranking behind Singapore in first place and Taiwan in eighth.

### Domestic politics:

**Pan-democrats team up at district level to push for HK reform as consensus agreed on talking to Beijing:** HK's pan-democrats said they would enhance their cooperation by setting up new groups at district level to press for reform of the roles of district councils in the city's political system. Consensus was also reached on the importance of having direct and regular communication with Beijing. Civic Party leader Alan Leong said: "The pan-democrats' position has always been that it is important to maintain direct and regular communication with the central government."

**'HK leader is above the executive branch, legislature and courts', says Beijing's liaison chief:** Beijing's top official in HK has provoked a fresh political row by giving the city's top leader a position of authority over the executive, the judiciary and the legislature - effectively ending the notion of separation of powers in the city. The comments on Sept. 12 from Zhang Xiaoming, chief of the central government's liaison office in HK, sparked an immediate backlash from critics who accused Beijing of redefining the scope and status of the city's chief executive. The concept of the separation of powers was applicable only to sovereign states, Zhang said at a function to mark the 25th anniversary of the Basic Law, HK's mini-constitution. "The chief executive's dual responsibility [to both HK and Beijing] means he has a special legal position which is above the executive, legislative and judicial institutions," Zhang said. Alan Leong, of the Civic Party, interpreted these comments as Beijing sending a message that Leong should be put on a pedestal "like an emperor", and that legislative and judiciary systems cannot keep his power in check or keep him accountable.

**Leung Chun-ying questions HK's 'separation of powers' model after controversial remarks by Beijing official:** The chief executive questioned the use of "separation of powers" to describe HK's political structure, as

he broke his silence on controversial remarks by Beijing's top official in the city. Leung Chun-ying said: "The SAR as a local government does not have complete executive power and legislative power ... [It] is not in the broad sense a government that consists of executive, legislative and judicial powers." The Bar Association argued otherwise, saying it "firmly believes" the common law principle would continue to be implemented within the city's constitutional framework. Former University of HK law dean Professor Johannes Chan called Zhang's argument "worrying". Peking University law professor Rao Geping, a member of the Basic Law Committee, said the three powers were in a state of "mutual check and balance and cooperation under the leadership of the executive".

**No one is above the law, says HK's top judge in surprise rebuke to leader CY Leung's defence of his 'transcendent' position:** HK's top judge stressed everyone was equal before the law, putting him at odds with Chief Executive Leung Chun-ying, who just hours before defended his status as transcending all three branches of government. Chief Justice Geoffrey Ma also emphasised the city enjoyed judicial independence. Ma declined to speak about remarks from Basic Law Committee member and law professor Rao Geping that judges in Hong Kong could have misunderstood the principle. Secretary for Justice Rimsky Yuen sought to allay worries over Zhang's words, saying the chief executive had always been under legislative and judicial scrutiny.

**HK's failure to 'implement de-colonisation' has caused serious problems, says former Beijing handover official:** A failure to carry out "de-colonisation" is the root cause of internal strife and economic woe in HK, a former Beijing official says - but the city's constitutional affairs chief Raymond Tam swiftly played down those remarks, calling for "tolerance and trust" from the central government. Chen Zuoye also criticised the city for allowing a "revival of de-sinification". Chen served as deputy director of the HK and Macau Affairs Office and was a key negotiator in the run-up to the 1997 handover. He now heads the semi-official Chinese Association of HK and Macau Studies think tank.

**Hongkongers have 'duties and responsibility' to nation, CY Leung says after mainland remarks on colonial hangovers:** Chief Executive Leung Chun-ying spelt out what he saw as Hongkongers' "responsibilities and duties" to the nation, echoing calls from a former Beijing official to shake off the city's colonial past for the sake of China's overall interests. Hongkongers, however, are becoming less confident in the city's future as well as the implementation of "one country, two systems", as an indicator by the University of HK's public opinion poll showed confidence levels had plunged to their lowest in over a decade.

**Former Hong Kong bar chief hits out at the arrogance of mainlanders and paternalistic attitudes toward the city:** A former Bar Association chairman Paul Shieh SC has added a strongly worded message to an ongoing debate about cross-border conflict, saying "paternalistic" remarks from mainland officials hurt the feelings of Hongkongers. He also described some mainlanders as being "so arrogant" in the light of China's global standing as to "talk nonsense".

**HK activists mark Occupy protest anniversary and set sights on next battleground:** Occupy organisers and protesters vowed on Sept. 28 to involve the wider community in their fight for greater democracy, looking to coming elections as the key battleground, as they marked the first anniversary of last year's mass sit-ins. There was a strong sense of déjà vu near government headquarters in Tamar as hundreds returned to the site they had occupied for 79 days. They formed a sea of yellow umbrellas again, chanting the familiar slogan, "I want genuine universal suffrage".

### International relations

**Restart HK's electoral reform debate as soon as possible, says European Union envoy:** The European Union's top envoy in HK has called for the city to resume its electoral reform process as soon as possible and predicted lively debate on the issue in the run-up to the 2017 chief executive election. Vincent Piket, head of the European Union office to HK and Macau, said he believed electing the city's leader and the Legislative Council by universal suffrage would help create a government strong enough to tackle thorny issues in the years ahead.

**HK's two-month Mers travel warning was excessive, says South Korean envoy:** South Korea's top diplomat in the city says a two-month travel warning issued by the HK government against his country during the Middle East respiratory syndrome (Mers) outbreak was "excessive". Kim Kwang-dong, South Korea's consul general in HK and Macau, said the move had had a huge economic impact on both places, and his country had lost a lot of opportunities to work with Hongkongers. He also defended South Korea's decision a month later to issue a travel alert for HK over influenza cases in the city, stressing it was based on scientific evidence. Now that both alerts have been lifted, Kim said he hoped authorities would look to the future, stressing South Korea still considered HK a "very close friend". South Korea recorded 186 cases of Mers, including 36 deaths, since May.

### Legal affairs and human rights

**Mass triad crackdown nails more than 51,000 in HK, Macau and mainland China:** An annual cross-border police crackdown on organised crime activities, postponed last year due to the Occupy protests, has hit back harder this year - with 51,000 suspects arrested in HK, Macau and Guangdong. In HK, a total of 4,343 people, including 1,177 mainlanders, were arrested for various offences such as drug trafficking, gambling and illegal lending.

**Global laundering ring pumped billions in Colombian drug money through HK banks:** US authorities have charged three Colombian nationals with helping to run a global money laundering network that processed billions of dollars in drug trafficking profits through bank accounts in China and HK. The Guangzhou-based organisation brought in at least US\$5 billion in Colombian drug proceeds routed from the United States, Mexico, Colombia, Panama, Guatemala and Canada, as well as parts of Africa and Europe, according to an indictment unsealed on Sept. 10 in federal court in Brooklyn, New York. The banks involved were not identified in the indictment.

## Health

**'Ignorance' of soldering put lead in water pipes:** A lack of knowledge about soldering materials on the part of the building industry and the Water Supplies Department caused water at public housing estates and schools to become tainted with lead, top officials said - though others suggested an attempt to save time and money may also be at fault. Lead levels at nearly 80 times World Health Organisation safety standards were found in water at Kowloon City's Kai Ching Estate, where the scare began in July. A committee said soldering materials were a main cause of the high lead levels.

**'No abnormalities' found in Tianjin food samples after deadly chemical explosions, says HK health minister:** Nothing unusual was found in 40 samples of food supplied to HK's Centre for Food Safety from Tianjin following deadly chemical explosions, the secretary for food and health Dr Ko Wing-man said. The centre collected the samples after warehouse explosions last month in the northern port city and no abnormalities were found. Ko also said the mainland's General Administration of Quality Supervision, Inspection and Quarantine cares about the export of food to HK, and will strengthen tests on food supplied from Tianjin to the city.

## Environment

**River nature park proposed by HK green groups to protect Tung Chung valley from development:** A coalition of green groups is calling on the government to take over about 500 private lots along the Tung Chung River Valley on Lantau and establish a 21-hectare "river nature park". Conservationists argue this will be the best way to protect the ecologically sensitive Tung Chung River on the island, which is already facing the development pressure of an impending new town expansion.

**HK's power plant emissions may be drastically reduced after 2020 under new proposal:** Emission caps for HK's power plants could be tightened by as much as 28 per cent after 2020 when the city starts obtaining half of its power from natural gas. The proposed caps in the electricity sector for sulphur dioxide (SO<sub>2</sub>) and nitrogen oxides (NO<sub>x</sub>) could be tightened by 17 per cent and respirable suspended particles (RSP) by 16 per cent, under the fifth technical memorandum set between the city's two power companies and the government.

## Culture and education

**University of HK's council votes 12-8 to reject Johannes Chan's appointment as pro-vice-chancellor:** In an unprecedented move, after months of delay and controversy, the University of HK's governing council has rejected Professor Johannes Chan's appointment to a key managerial post. The decision was immediately condemned by students and alumni, who accused pro-government council members of politicising an academic matter and threatened to challenge it in court. The opposition to Chan's appointment has been linked to his close ties to colleague Benny Tai, a co-founder of the Occupy Central movement. In a statement, Johannes Chan said he had no further comment, now that the decision was made. "This is not an issue of personal gain or loss, but one about the core values of academic freedom and institutional autonomy," Chan said. He called on HKU supporters to keep safeguarding those values and not to feel frustrated.

**Fees at HK's private and direct subsidy schools rise - some by over 20 per cent:** More parents are set to be hit in the pocket after six schools received government approval to increase fees by more than 20 per cent for the new school year. The six are among 50 private schools and 45 under the Direct Subsidy Scheme - private sector schools that receive government support - that have raised fees for the 2015-16 school year. The news comes after it was revealed that kindergartens had been allowed to increase fees by an average of 8.3 per cent.

**ESF fees soar 22 per cent for new pupils as HK government subsidy is phased out:** Parents whose children enter Year One at the English Schools Foundation next year will have to pay 22 per cent more as the government starts to phase out its annual HK\$283 million subsidy. The current annual fee of HK\$78,700 will soar to HK\$95,700, an increase that lawmaker Dr Kenneth Chan said would deprive middle-class families of affordable education. The ESF was created in 1967 to serve the children of colonial civil servants, but it has become an increasingly popular choice for local parents seeking an international education.

**'English has been forgotten': HK must push for better English standards to stay competitive, says lawmaker Michael Tien:** If technology is the future, HK needs to push for higher English standards to connect industry players to the rest of the world as the issue has been neglected for years and threatens the city's competitiveness. New People's Party lawmaker Michael Tien made the point at an event. Alice Au, a high-profile headhunter for global executive search firm Spencer Stuart, stressed the importance of English proficiency in the corporate world and noted that locals were missing out on top jobs.

**Report backs HK Institute of Education's bid to become city's eighth university:** A report has recommended the Institute of Education should become a university but its new title should include the word "education", officials said. The institute submitted a third application to become a university in July last year. The grants committee set up a seven-member panel chaired by University College, Oxford master Sir Ivor Crewe to review the request. The institute would become the city's eighth university.

## Macau

**Macau tightens junket rules, orders operators to identify shareholders, bosses and investors:** The move by gaming regulators will force the firms, which bring in the high-rolling VIP gamblers at the heart of Macau's spectacular rise to global gaming dominance, to name shareholders, key employees and their investors. Announced by the city's Gaming Inspection and Coordination Bureau, the law change comes amid protests by angry investors demanding money back from a junket operator. It also comes as the former Portuguese enclave's casino-dominated economy endures one of its worst ever slumps due to the twin effects of President Xi Jinping's anti-corruption drive and an economic slowdown on the mainland.

## **Varia**

### **HK health minister says no plan to ease ban on taking more than two cans of milk formula across border:**

The health minister Dr Ko Wing-man reiterated that the government has no plan to lift the two-can limit on the amount of infant formula a person can take over the border. He reassured parents that the restriction would stay in place, after a lawmaker representing the retail sector called for the ban to be lifted, saying another widespread shortage of the product was unlikely. The ban was introduced in 2013 amid a shortage in milk powder for local parents, as traders snapped up supplies for resale across the border.

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