

Hong Kong Review

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HK's 'well-being' budget

The Financial Secretary, John C Tsang pledged to use Hong Kong's strong economy for the "greatest well-being of society", when he delivered his first budget to the Legislative Council on 27 February.

Mr Tsang placed social responsibility, sustainable financial policies and pragmatic decision-making at the heart of his management of the public finances.

Outlining areas where the economy had performed better than expected, he said that Gross Domestic Product (GDP) had risen by 6.3% in real terms in 2007.

In 2008, GDP was forecast to grow by four to five per cent, which was still higher than the average trend growth rate of the past 10 years.

He forecast a record budget surplus on the Consolidated Account of HK\$115.6 billion and a surplus of HK\$63.7 billion in the Operating Account for 2007-2008. The surplus was mainly due to income from stamp duty, profits tax and salaries tax which were higher than the original estimates. Capital revenue from land premiums in 2007-2008 was estimated at HK\$63.1 billion.

Although "cautiously optimistic" about Hong Kong's prospects, Mr Tsang warned that

external factors such as the slowdown in the American economy, the global trend of rising inflation and measures to cool the Mainland's economic growth could all have a negative impact on Hong Kong. He added: "Globalisation and the emerging regional economy will bring increasing competition to Hong Kong."

He unveiled a package of tax concessions and initiatives, which focused on four main areas: promoting long-term economic and social development as investment for the next generation;

helping disadvantaged groups to improve their livelihoods; returning wealth to the people to share the fruits of economic prosperity, and providing for future challenges.

"We should make good use of the large surplus for the greatest well-being of the community." He highlighted that Hong Kong's ageing population, which was expected to rise from the current 870,000 to about 2.17 million by 2033, presented the biggest long-term challenge. He pledged funding for additional care centre places for the

elderly and subsidies for elderly people to improve their homes. He also announced that HK\$50 billion would be allocated from the fiscal reserves to help to implement healthcare reform initiatives.

He added that the measures would help Hong Kong's society to face the many challenges caused by rapid changes in the global environment. "I am sure that our society can face those challenges with the same measure of resolve and determination as in the past. The Government will endeavour to help relieve the difficulties we may all encounter."

• For more on the 2008-2009 Budget, turn to pages 4/5



The Financial Secretary, John C Tsang, fields questions by the media on the 2008-09 budget



Year of the Rat celebrations

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Hong Kong reflecting success in world markets

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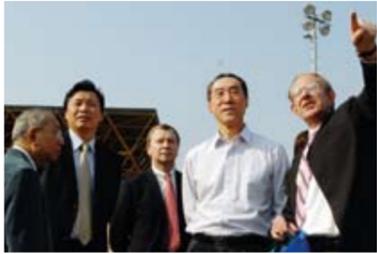
Orchestra's UK tour triumph

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Asia's world city

HONG KONG





Chief Secretary for Administration Henry Tang (2nd from right) at the Hong Kong Sports Institute

Hong Kong ready for Olympics

President of the Equestrian Committee (Hong Kong) of the Beijing Organising Committee for the Games of the XXIX Olympiad, Chief Secretary for Administration Henry Tang, and members of the committee toured the Hong Kong Olympic and Paralympic Village and the Hong Kong Sports Institute, the core equestrian venue, in March. The 2008 Olympic equestrian venues and facilities provided by The Hong Kong Jockey Club include a number of unique features and Olympic firsts:

- First-ever six-star accommodation for horses
- First-ever on-site testing laboratory for Olympic equine samples
- Fastest ever turnaround promised for Olympic equine samples
- First-ever Olympic on-site elective testing offered to equestrian teams
- First-ever recycling of 100% of Olympic stable waste
- First-ever air-conditioned indoor training arena in Olympic history
- Fastest ever creation of Olympic equestrian facilities (under two years)
- First-ever mobile cooling units for horses
- First-ever use of a racecourse in an Olympic equestrian venue.

The Olympics come even closer on 2 May as the Olympic torch relay arrives in Hong Kong – the torch's first touch-down at an Olympic venue before setting off to visit each of China's 22 provinces.



Beas River cross-country course – one of Hong Kong's equestrian venues for the 2008 Olympics

New Year brings a time for action and discovery



5 February BRATISLAVA

From left: Mrs Wong; Stephen Wong, Director, Hong Kong Economic and Trade Affairs, Berlin; Ambassador Huang Zhong-po; Martin Hrivik, Secretary General, Slovak Chamber of Commerce and Industry; Consul General Willy Lin; Mrs Lin



6 February MOSCOW

From left: Dr Konstantin Vnukov, Director of the First Asia Department, Ministry of Foreign Affairs of the Russian Federation; Lore Buscher, Regional Director Europe Hong Kong Trade Development Council; Sarah Wu, Director-General, HKETO; Leonid Orlov, Consultant, HKTDC



Sarah Wu performs the traditional ceremony of dotting the lion's eye

The Year of the Rat is a time for action and new directions, Director-General of the Hong Kong Economic and Trade Office (HKETO) Sarah Wu, said in her Chinese New Year address.

Speaking at a reception at the Banqueting House in London, she said the Year of the Rat signified new beginnings and that there was also a great deal to celebrate from 2007. "The Year of the Golden Pig brought good luck, wealth and prosperity. We were proud when *Time* magazine recognised the increasing prominence of Hong Kong by coining a new term – Ny.lon.kong – on its cover, highlighting how New York, London and Hong Kong drive the global economy."

Miss Wu added: "The ties between Hong Kong and the UK remain as strong as ever. We now have 80 direct non-stop flights per week. Our British counterparts in UK Trade & Investment supported 17 trade missions to Hong Kong and helped almost 400 British companies looking to develop their business there."

In February and March, the London Office and the Berlin team hosted 17 Chinese New Year receptions in the UK and across Northern and Central Europe, from Russia, and Norway to Ljubljana and Warsaw. At the receptions in Vienna and Budapest, a famous jazz band from Hong Kong, the Eugene Pao Quartet, staged a successful performance that charmed all guests. Another Hong Kong artist, the young pianist Ms Colleen Lee gave a piano recital in Prague. In Ljubljana and Bratislava, a collection of recent animations produced by young Hong Kong artists was shown.



14 February VIENNA

From left: Duncan Pescod, Hong Kong's Special Representative to the European Communities; Stephen Wong; Ambassador Wu Kan; Lore Buscher; Richard Schenz, Vice President of Federal Chamber of Commerce; Friedrich Bauer, President, Austrian Hong Kong Society



20 February BUDAPEST

From left: The Eugene Pao Quartet – Anthony Fernandes, Ted Lo, Sylvain Gagnon, Eugene Pao; Stephen Wong, Lore Buscher, Duncan Pescod, Laszlo Meszaros, Consultant, HKTDC, in Budapest



25 February OSLO

Sarah Wu delivers a speech entitled "Hong Kong: Riding High in 2008". The seminar was co-organised by the HKETO in London, Norway-Hong Kong Association and HKTDC



7 March COPENHAGEN

From 2nd to 3rd left: Jin Zhijian, Charge d'affaires and Deputy Head of Mission at the Chinese Embassy, Lore Buscher, from 5th to 6th left: Sarah Wu and Bjorn Larsen, Chairman of the Denmark Hong Kong Trade Association



5 March HELSINKI

A business seminar on various environmental topics co-organised by the HKETO in London, Finland-Hong Kong Trade Association and HKTDC. Speakers included Sarah Wu; Kari Cairenius, Chairman of the Finland-Hong Kong Trade Association; Lore Buscher; Henrik Raiha, Director, Ministry of Employment and the Economy; Jaana Illikainen from DHL Freight (Finland); Isabella Haas from Sustainable Economy Collection Company and Juhani Anhava, Director for Business Development



The HKETO, London, also held Chinese New Year receptions in St Petersburg (7 Feb), Edinburgh (13 Feb), Tallin (22 Feb), Birmingham (26 Feb), Malmo (3 March) and Stockholm (6 March) while the Berlin team also hosted the receptions in Ljubljana (4 Feb), Prague (21 Feb) and Warsaw (4 March)

Time to taste the fruits of success

Individuals and businesses will benefit from the package of tax concessions and initiatives that were announced in the 2008-9 Budget.

The Financial Secretary, John C Tsang, unveiled measures to help the disadvantaged, enhance Hong Kong's competitiveness and ensure sustainable development.

In keeping with his commitment to return the wealth to the people, his proposals included a one point cut in salary and personal assessment taxes to 15% and an increase in personal allowances.

Small and medium-sized businesses are also in line for a one-off tax cut as a result of a concession of 75% of profits tax for 2007-2008, up to a maximum of HK\$25,000.

Mr Tsang also unveiled initiatives to attract talent from around the world and enhance Hong Kong's competitiveness,

by investing in tourism and education. He pledged to implement infrastructure projects that would create thousands of construction jobs.

The Chief Executive, Donald Tsang, praised the Budget, particularly for helping underprivileged groups, returning wealth to the people and laying the foundations for Hong Kong's long-term development.

He said: "Even though our economy is on a rising track, some in Hong Kong have yet to share the fruits of this recovery and prosperity. These undertakings all honour the pledges in my election manifesto to leave wealth with the people."



To support disabled people:

- Additional funding of HK\$100 million to offer 300 more pre-school training places, 450 more day training places and 490 more subvented residential places;
- Additional provision of HK\$35 million to establish 16 community support centres to strengthen services and support for disabled people as well as their family members and caretakers.



Main points from the budget:

Leaving wealth with the people and sharing the fruits of prosperity

- To lower the standard rate of salaries tax and personal assessment tax by one percentage point to 15%.
- To offer a one-off rebate of 75% of salaries tax and tax under personal assessment assessed or 2007-08, subject to a ceiling of HK\$25,000.
- To raise the basic personal allowance and single parent allowance from HK\$100,000 to HK\$108,000 and to increase the married person's allowance from HK\$200,000 to HK\$216,000. All the major allowances will revert to their 2002-03 levels.
- To widen tax bands from HK\$35,000 to HK\$40,000, making them wider than those in 2002-03.
- To offer a one-off rebate of 75% of profits tax for 2007-08, subject to a ceiling of HK\$25,000.
- To waive business registration fees for 2008-09.

	Basic personal allowance/ Single parent allowance	Married person's allowance
Old	\$100,000	\$200,000
New	\$108,000	\$216,000

Investing in infrastructure and promoting long-term development

- To vigorously implement various infrastructure projects, including the 10 major projects announced in the Policy Address.
- To create about 27,000 new construction jobs with an estimated expenditure amounting to HK\$21.8 billion on infrastructure projects for 2008-09.

- To exempt the duties on wine, beer and all other alcoholic beverages except spirits with immediate effect.
- To offer a more concessionary profits tax reduction for capital expenditure on environment-friendly machinery and equipment.
- To provide a one-off grant of HK\$18 billion for the establishment of a Research Endowment Fund.

Improving the people's livelihood

To support and take care of the elderly in need:

- HK\$200 million to help elderly people without family support improve their home environment;
- HK\$1 billion as a subsidy for the elderly in need to carry out maintenance or safety improvement works for their self-occupied properties;
- To increase funding by HK\$60 million to provide additional places in day care centres, subvented homes and residential care homes for the elderly.

To provide families and children with additional support:

- To provide funding of HK\$45 million over the next three years to strengthen day foster care services and promote child care services;
- To provide additional funding of HK\$40 million to strengthen support to victims of domestic violence and families in need.



- To earmark an additional HK\$150 million to step up overseas promotion to enhance the appeal of Hong Kong as an international convention, exhibition and tourism capital.
- To waive the Hotel Accommodation Tax.

Providing for the future

- To earmark HK\$8.5 billion to provide people earning not more than HK\$10,000 a month with a one-off injection of HK\$6,000 into their MPF accounts.
- To earmark HK\$50 billion from the fiscal reserves to promote healthcare reform.



Rules eased to attract migrants

Changes to the Quality Migrant Admission Scheme will cast a wider net for attracting quality applicants.

The Government has revised the scheme in a number of areas. The upper age limit of 50 has been lifted so that people aged 51 or above are now eligible. The marking scheme under the General Points Test has been adjusted so that younger degree-holders – in particular, those between 18 and 24 – have a better chance of meeting the minimum passing mark for further assessment. A streamlined version of the 'extension of stay' requirement for entrants admitted through the Achievement-based Points Test has superseded the old one. However, the annual quota of 1,000 entrants under the scheme remains unchanged.

The changes came into effect in January. For details of the scheme, visit <http://www.immd.gov.hk>



Universal suffrage moves forward

The Chief Executive, Donald Tsang, has welcomed the decision by the Standing Committee of the National People's Congress (NPCSC) to set a timetable for direct elections for choosing the CE and forming the Legislative Council.

The NPCSC's decision was based on the Green paper on Constitutional Development submitted by the HKSARG in December 2007 following extensive public consultation.

Mr Tsang hailed the NPCSC's decision as "a most important step for Hong Kong's constitutional development".

He added: "The decision of the Standing Committee makes it clear that the election of the HKSAR Chief Executive in 2017 may be by universal suffrage. The decision also makes it clear that after the Chief Executive has been elected by universal suffrage, the election of all members of the Legislative Council may also be by

universal suffrage. In other words, all Legislative Council members may also be elected by universal suffrage in 2020.

"In order to take this forward the HK government has set up a Task Group on Constitutional Development, which has met several times already to discuss electoral methods for the CE and Legco elections in 2012 – a further round of public consultations will be announced in due course."

Trade links forged in Central Europe

The Berlin team organised, with the support of the Slovak Chamber of Commerce and Industry in Prešov, a Hong Kong Day on 30 January. It was the first event about Hong Kong held in the third largest city of Slovakia.

In February, the Berlin team organised a seminar, "Hong Kong Means Business", with the support of the Chamber of Commerce and Industry of Slovenia.

At the seminar, Stephen Wong, Director, Hong Kong Economic and Trade Affairs, Berlin, explained how Hong Kong's free market policies and professional services could benefit Slovenian companies.



From left: George Ammerlaan, Director, Benelux and Eastern Europe, HKTDC; Stephen Wong, Director, Hong Kong Economic Affairs, Berlin HKSARG

The challenge of health reform

A three-month public consultation has followed the launch on 13 March of the Healthcare Reform consultation document on various options for improving services and making them sustainable long term.

The Secretary for Food and Health, Dr York Chow said the document used a progressive approach to explain to the public the problems and to suggest solutions. The Chief Executive, Donald Tsang, said in a statement: "Hong Kong's health indicators rank among the best in the world but we are facing the challenge of an ageing population and rising healthcare costs."

The Chief Secretary for the Administration, Henry Tang, explained the document proposed targeted solutions to reform services and market structure. These included enhancing primary healthcare and developing electronic health record sharing.

• For more information, visit <http://www.fhb.gov.hk/beStrong/>

ICC branch welcomed

The International Chamber of Commerce (ICC), one of the world's top international dispute resolution institutions, has announced it will open a branch of the Secretariat of its International Court of Arbitration in Hong Kong.

The branch secretariat, the first in Asia, will have a case management team to administer cases in the region under the ICC Rules of Arbitration. It is expected to be fully operational by the end of the year. Welcoming the announcement, the Secretary for Justice, Wong Yan Lung, said: "The decision is an endorsement of our position as a premier centre for international arbitration services. The presence of the branch will enhance the provision of arbitration services in Hong Kong."

Hong Kong standing tall

Hong Kong's position as a leading international city has been reinforced by a number of pieces of research. The city was ranked the world's freest economy for the 14th consecutive year by the Heritage Foundation.

It was also listed as the top Asian City of the Future by fDi Magazine (*Financial Times* group), based on its "bold infrastructure developments, sound investment promotion strategy and high-quality workforce".

Meanwhile the Effective Corporate Taxation ranking established by the Centre for European Economic Research and Basel Economics Institutes placed Hong Kong as the most attractive region for companies from the

point of view of taxation. Supporting these rankings, Director-General of Investment Promotion Mike Rowse said the number of companies assisted and jobs created by those companies reached all-time highs last year.



Top destination and record-breaking tourist hot-spot

Hong Kong's tourism industry achieved record-breaking results last year. The Hong Kong Tourist Board (HKTB) announced provisional figures that total arrivals for 2007 exceeded 28 million – more than 10% higher than in 2006. Meanwhile, Total Expenditure Associated to Inbound Tourism is set to break the 2006 record of HK\$119.43 billion, rising to more than HK130 billion.

Hong Kong has also been voted a top destination. It won the Best MICE (Meeting, Incentive, Convention, Exhibition) City Award in the 2008 Industry Awards organised by CEI *Asia Pacific* Magazine.

Also, in a poll of cruise industry professionals, conducted by the British cruise magazine *Dream World Cruise Destination*, Hong Kong was voted one of the destinations in the categories Best Destination Experience – Independent Sightseeing, and Best Turnaround Destination.

• Hong Kong International Airport set new records for throughput in 2007, with 47.9 million passengers – 7.5% more than in 2006 – cargo volumes rising 4.5% to 3.7 million tones and air traffic movements up 5.4% to 295,000.

Delegation visit promotes biotechnical advances

The growing importance of biotechnology was highlighted when the chairman of the Hong Kong Science and Technology Parks Corporation (HKSTP) and leading businessmen from Hong Kong and China visited the HKSTP's leading strategic partner, the Øresund Science Region (ØSR) in Denmark and Norway recently.

The visit was aimed at strengthening ties with the ØSR and promoting new biotechnology facilities in Hong Kong Science Park.



Award-winning students from Hong Kong and Sweden under the HKSTP Exchange Award Programme are pictured with HKSTP Chairman Nicholas Brooke (back row, left); Helen Chung, Senior Manager, Industry & University Collaboration, Business Development and Technology Support (front row, right) with ØSR and HKSTP representatives

Hong Kong culture to the fore

China Now is the largest festival of Chinese culture ever to take place in the UK, with more than 800 events until the start of the Beijing Olympics in August. Launched in February, it is a showcase of art, design, cuisine and culture, science, business and technology, education and sport (see www.chinanow.org.uk). HKETO London has arranged a series of events to highlight Hong Kong's position in Chinese culture and design:

Orchestra hits the right notes



The Hong Kong events for 2008 got off to a musical start with the first major UK tour of the Hong Kong Chinese Orchestra in March. Performances were sponsored by the HKETO London. The four-date tour also included a workshop on Chinese music at the School of Oriental and African Studies – University of London.

Best of Hong Kong design

Creative Hong Kong in London is an exclusive exhibition in celebration of the 10th anniversary of the HKSARG, organised by the Hong Kong Design Centre (HKDC), featuring 10 new products by 10 international brands, including Alessi and Royal Copenhagen (pictured), by 10 renowned HK designers.

These exclusive products will be displayed between 28 May and 12 June 2008, first at Harvey Nichols in Knightsbridge and then moving to the Design Museum, near Tower Bridge. The HKDC and the London Business School are also organising a design seminar on 3 June.



Photo: Kan Tai Keung and Royal Copenhagen Flora Banquet, courtesy of Hong Kong Creative in London

Visions of a city

Breathe, a community art project by Hong Kong comic artist Kongkee, is organised by the Chinese Arts Centre in Manchester. From 1 May to 29 June, Kongkee will encourage Manchester's elderly Chinese community to share their perceptions of the city and will produce comic animations and drawings depicting the real and imagined Manchester. The Chinese Arts

Centre will also host installations by Hong Kong artist Tsang Kin-Wah from 27 June to 28 September. For further details see www.chinese-arts-centre.org

Excitement on the water

The London Hong Kong Dragon Boat Festival will be held in the Royal Albert Dock on 8 June. It is organised by the Hong Kong/Chinese community in London and supported by HKETO London. Details are at <http://www.lcl.co.uk/dragonboat>



Artists celebrate 60 years of the British Council Hong Kong

Celebration 60 is an exhibition of art works by UK-educated Hong Kong artists, organised by the British Council Hong Kong as part of its 60th anniversary celebration. This exhibition, features works by 6 artists to highlight the artistic connection between UK and HK. 2-20 June in the British Council, 10 Spring Gardens, London.

New HK art in Leeds

Hong Kong artists Fiona Wong and Wilson Shieh have been commissioned to create unique works of art for an exhibition at Harewood House, near Leeds. Their works will respond to the newly-installed Chinese wallpaper and collection of ceramics, 18 May to 10 August 2008. Further information is available online at www.harewood.org

Here be dragons

Taking place across three venues in Tyne and Wear, Hong Kong artists Kongkee and Karen Tam will show specially commissioned works on the theme of dragons, with animation, paper-cutting and installation. Exhibitions start 24 May. Further information is available online at www.twmuseums.org.uk

Forthcoming events

1 May – 29 June: Exhibition of comic artist Konghee at Chinese Arts Centre in Manchester

18 May – 10 August: Exhibition of artists Fiona Wong and Wilson Shieh at Terrace Gallery, Harewood House, Leeds

From 24 May: Exhibition by artists Kongkee and Karen Tam in Tyne and Wear (three venues)

28 May – 4 June: Creative Hong Kong at Harvey Nichols, London.

2-20 June: Exhibition of Hong Kong artists at British Council, London

3 June: Creative Business Forum at London Business School, London

6 June: Hong Kong Come Along late night exhibition at Design Museum

6-12 June: Creative Hong Kong exhibition at Design Museum, London

27 June – 28 September: Artist Tsang Kin-wah's installation at Chinese Arts Centre in Manchester
8 June: London Hong Kong Dragon Boat Festival, Royal Albert Dock, London

August: Hong Kong Film Panorama in Vienna, Austria

12-21 September: Hong Kong Film Programme at the Riga International Film Forum 2008, Latvia

October: Hong Kong Film Panorama in Graz, Austria

Visit www.hketolondon.gov.hk for updated information

HK films in Scandinavia

The Hong Kong Economic and Trade Office (HKETO) sponsored the Norwegian Film Institute's Hong Kong Film Season – the first ever in Norway – from 29 November to 16 December last year.

It also sponsored the 19th NATFilm Festival, from 28 March to 6 April this year in Copenhagen, Denmark, which included a section of Hong Kong films. HKETO's support follows the positive response to the Hong Kong section in last year's festival.