



Review

Tsang Acting CE after Mr Tung's resignation



Hong Kong's Chief Secretary for Administration, Mr Donald Tsang (behind lectern), meets the media as Acting Chief Executive on 12 March 2005 together with the Government's Principal Officials and Executive Council members following the Central People's Government's acceptance of the resignation of the Chief Executive Mr Tung Chee Hwa on grounds of ill-health. The election for a new Chief Executive will take place on 10 July 2005.

Spending checks lead the way to economy growth

Hong Kong's continuing economic recovery and the Government's determination to exercise prudence in its spending were highlighted in this year's Budget.

Financial Secretary Mr Henry Tang said that the Special Administrative Region (SAR) Government was well on the way to balancing the books and would continue to build on the SAR's tradition of market-led growth.

Presenting his second Budget on 16 March, Mr Tang said that the economy had grown by 8.1 per cent in real terms in 2004, the highest growth rate for four years and well ahead of the 20-year average of 4.8 per cent.

He forecast GDP growth of 4.5 to 5.5 per cent in 2005 and added there would be a fiscal surplus of HK\$12 billion in 2004-05, achieved through a combination of lower

2005-2006 BUDGET

expenditure and higher revenue. Discounting the proceeds from bond issues would, however, leave a deficit of HK\$13.4 billion for the period.

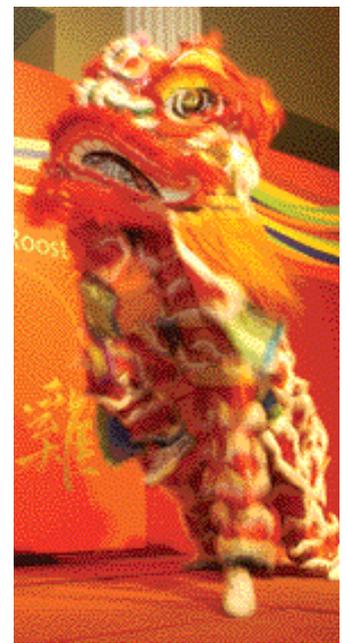
The SAR Government's operating expenditure for 2004-05 would be lower than the previous financial year, the first time in more than 50 years that this expenditure has fallen. "We have succeeded in checking the trend of our operating expenditure," he said. "This clearly demonstrates that we have the determination and capability to contain our spending."

Among the highlights of his speech was a pro-

posal to abolish estate duty to facilitate the further development of Hong Kong's asset management services and enhance its competitiveness as an international financial centre.

He also said that HK\$500 million would be allocated over the next two years to boost the development of Hong Kong's tourism industry, with 2006 designated Discover Hong Kong Year, when he expected visitor numbers to soar to more than 27 million. This is far above 2004's record figure of 21.81 million.

○ Budget highlights
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Celebrating the Chinese New Year

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Rooster booster for the economy



Some 700 guests attending the official London reception to mark the start of 'Year of the Rooster' heard that a range of 'mega-events' over the next 18 months would reaffirm Hong Kong's status as Asia's world city.

An audience including UK Government ministers, MPs, diplomats, businessmen and the media heard an upbeat speech from the Director-General of London's Hong Kong Economic and Trade Office (HKETO), Mrs Carrie Lam.

The reception, held in the historic Banqueting House in Whitehall, was hosted jointly by the HKETO, Hong Kong Trade Development Council and Hong Kong Tourism Board.

Following her traditional new year greeting to guests of *Kung Hei Fat Choi*, Mrs Lam ticked off a series of major events that would help keep Hong Kong in the headlines over coming months. These included the opening of Hong Kong Disneyland in September, December's sixth ministerial conference of the World Trade Organisation and the International Telecommunications Union (ITU) Telecom World 2006 conference – the first time the event has been hosted outside the ITU's Geneva base.

The importance of the last of these events was highlighted by a lunch to publicise it, as well as the presence at the Year of the Rooster reception of members of the Hong Kong team preparing for it.

Other new tourism-related attractions due to open late this year or early in 2006 would include the Lantau Cable Car, which would begin taking visitors up Hong Kong's second-highest peak to the Tian Tan Buddha, the world's biggest bronze of its kind,



Director-General of the London HKETO, Mrs Carrie Lam, performs the traditional ceremony (above) of dotting the lion's eye at the Banqueting House reception in London that kicked off the round of Chinese New Year receptions throughout Europe. (Left) Co-hosts Mr Kevin Welch, Regional Director, Europe, Africa and Middle East, Hong Kong Tourism Board (HKTBC) and Mr Lawrence Yipp, Regional Director Western Europe, Hong Kong Trade Development Council (HKTDC), together with Mrs Lam toast the arrival of the Year of the Rooster.

and Phase Two of the Hong Kong Wetlands Park.

Mrs Lam noted that Hong Kong's economic outlook was again on the rise, with a projected GDP growth of at least 7.5 per cent in 2004, the highest since the Asian financial crisis of the late 1990s.

That growth had been underpinned by a broad-based recovery in almost every sector of the economy:

- Double-digit year-on-year growth was recorded for exports of goods and exports of services;
- Private consumer expenditure levels last year reached their highest point for a decade, as reflected in significant growth in imports and retail sales;
- The property market rebounded significantly and the housing rental market has firmed up considerably;
- Visitor arrivals were a record-

breaking 21.8 million, up nearly 40 per cent on the year before; and

- The number of overseas and Mainland companies setting up in Hong Kong totalled more than 3,600 – an increase of 12.5 per cent over 2003 and a record.

At the same time, unemployment had steadily dropped to 6.5 per cent, compared to a peak of 8.6 per cent in the middle of 2003.

The London reception was just the beginning of a four-week 'season' of Chinese New Year receptions and seminars hosted throughout Europe. Following UK receptions in Birmingham and Edinburgh, they spread out to encompass Warsaw, Prague, Moscow, St Petersburg, Zurich, Oslo and Budapest.

Aimed at keeping representatives of local governments, business communities and media updated on Hong Kong's prospects, they attracted a further 1,500 guests.

London Office celebrating with friends in ten cities

15 Feb LONDON



16 Feb BIRMINGHAM

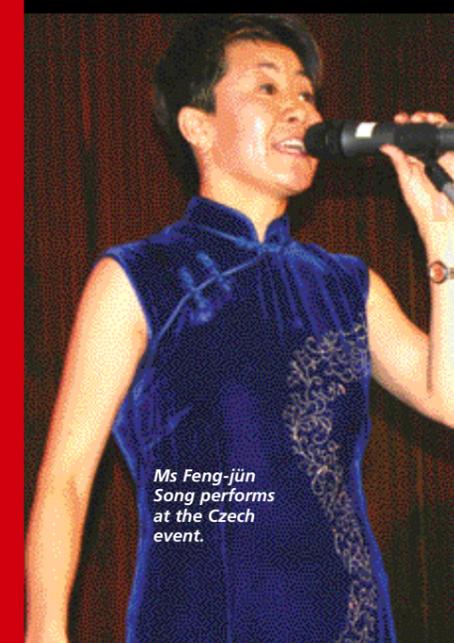


17 Feb EDINBURGH



In the other UK receptions, Mrs Lam was joined in Birmingham by Mr David Marsden, Director, UK & Ireland, HKTDC (far left) and, in Edinburgh, also by Scottish Minister for Environment and Rural Development Mr Ross Finnie.

1 March PRAGUE



Ms Feng-jun Song performs at the Czech event.

3 March MOSCOW



Mr Lawrence Yipp, Regional Director, Western Europe, HKTDC, joined Mrs Lam, and Mr Leonid Orlov, Consultant, HKTDC, in Moscow.

4 March St PETERSBURG



A business seminar preceded the reception in St Petersburg.

22 Feb WARSAW



The Warsaw event brought together Ms Lore Buscher, Regional Director, Central and Eastern Europe, HKTDC; Mrs Lam; and China's Ambassador to Poland, Mr Yuan Guisen.

8 March ZURICH



In Switzerland, guests included Mr Kurt Moser, President, Swiss-Hong Kong Business Association (left) and Ms Lore Buscher, HKTDC.

9 March OSLO



Mrs Lam meets (from left) the Oslo event's raffle winner; Mr Allan Petersen of Cathay Pacific Scandinavia/Finland; and Norway-HK Trade Association President Mr Leif Schwabe.

10 March BUDAPEST



Mrs Lam greets guests at the Hungarian reception.



The Budget was accompanied by the release of an explanatory leaflet, parts of which are reproduced here, setting out its main points.

Fruit of concerted efforts



○ Successful issue of HK\$26 billion in bonds. The offerings have set a number of records in the region and were oversubscribed by local and international investors alike. These help promote development of Hong Kong's bond market.



○ The HK\$200 million Partnership Fund for the Disadvantaged was formally set up to foster the development of a tripartite relationship between the Government, business community and the non-government organisations to help socially disadvantaged groups.

Resuming growth trend

- Real economic growth was 8.1 per cent in 2004. Forecast GDP growth is 4.5 – 5.5 per cent in 2005. Trend GDP growth is forecast at 4 per cent a year.
- The 68-month-long deflation ended in July 2004. CPI inflation in 2005 is expected to be 1.5 per cent.

Prudently managing public finances

○ The Consolidated Account is estimated to have a surplus of HK\$12 billion in 2004-05 – the first surplus since 1999-2000. After discounting proceeds from bond issues, a deficit of HK\$13.4 billion remains.



○ A consolidated deficit of HK\$10.5 billion is estimated for 2005-06, and this will gradually decline. Fiscal balance will be achieved in 2007-08, a year earlier than the original target. Balance in the Operating Accounts will be restored in 2008-09, as scheduled.

Building on our strengths and fostering growth



- HK\$500 million will be earmarked to:
 - Support the Hong Kong Tourism Board in launching global publicity and promotion programmes and introducing brand new tourism products;
 - Extend the Quality Tourism Services Scheme, improve customer services and enhance consumer protection.
- Abolish estate duty to promote development of Hong Kong's asset management business.

An equitable and sustainable society

- An independent committee will be appointed to review existing competition policy and mechanisms.
- People's tax burden will be relieved by:
 - Introduction of basic and additional allowances at HK\$15,000 each for taxpayers caring for dependent parents or grandparents aged between 55 and 59. About 100,000 taxpayers will benefit from these measures, which will cost the Government HK\$450 million a year.
 - Increasing the child allowance from HK\$30,000 to HK\$40,000 per child. About 300,000 taxpayers will benefit, at a cost to the Government of HK\$620 million a year.



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Director-General of the Hong Kong Economic and Trade Office in London, Mrs Carrie Lam, delivers a briefing on Hong Kong's Budget to an invited London audience drawn from the financial and business sectors, embassies and the media on 17 March 2005.



'Shard' to house a hotel complex

The dramatic 'Shard of Glass' building in the heart of London is to be the home for Hong Kong-based Shangri-La Hotels and Resorts' first European property.

When the 310-metre-high 'Shard' – more formally known as the London Bridge Tower – opens diagonally opposite the Tower of London in 2009 it is set to be the tallest building in Europe. Shangri-La Hotels and Resorts has signed a 30-year lease for floors 34 to 52 of the 70-storey building, in which it will install 195 rooms.

The five-star Shangri-La Hotel at London Bridge Tower "will be a dramatic introduction of our signature Asian hospitality and style to Europe", said the company's chief executive officer and managing director, Mr Giovanni Angelini.

Government backs logistics e-platform

A clutch of measures to enhance further Hong Kong's world-beating logistical network has been announced by the Government as part of the 2005-06 Budget.

- The go-ahead has been given for the launch of the Digital Trade and Transportation Network system, which aims to provide a neutral and secure e-platform for logistics operators to exchange information and data efficiently and reliably.

- A detailed study will be undertaken on the location and timing of Container Terminal 10.

- The Airport Authority will seek out strategic partners among Mainland airports.

- And there will be an HK\$10 million boost to enhance the marketing of Hong Kong's port, shipping and logistics facilities.

The new measures are designed to build upon Hong Kong's position as the logistics hub of Asia and the major international gateway to Mainland China, the world's most populous consumer market and largest manufacturing base.

Hong Kong already accounts for some 25 per cent of the Mainland's foreign trade, with China's booming economy foreshadowing significant further expansion in trade flows in coming years.

The nearby Pearl River Delta (PRD), for example, is at the forefront of China's economic surge and developments such as the Pan-PRD, which groups the Mainland's nine southern provinces with Macau and Hong Kong, will develop a vast, integrated regional

economy. On the wider stage the free-trade Closer Economic Partnership Arrangement means virtually all Hong Kong goods enter the Mainland tariff-free and foreign companies can also gain access to the Mainland ahead of China's World Trade Organisation commitments.

Even before these developments, Hong Kong already sets world records in the fields of marine, air and land transport.

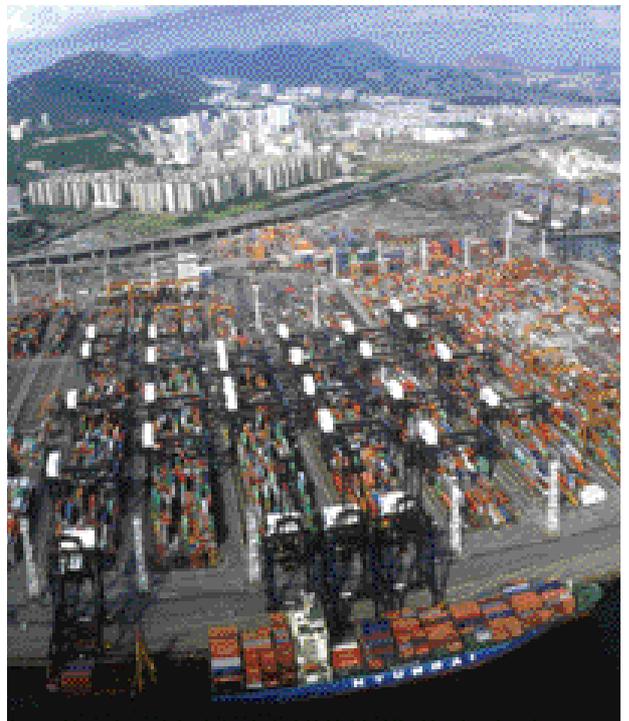
It has been the world's busiest container port for 12 of the past 13 years. With the approach channel and marine basin of Kwai Chung, the primary cargo-handling area, dredged to 15.5 metres, it will be able to handle the largest container ships currently on the drawing board.

Hong Kong International Airport

(HKIA) is also the world's busiest international air cargo centre, with volumes growing by an average of more than 10 per cent per year since it opened for business in 1998. Strong demand from the Mainland, North America and Europe means further robust growth is anticipated.

Lok Ma Chau is the world's busiest land boundary control point and an average 36,000 vehicles pass through the three land checkpoints with the Mainland each day. In addition, freight trains to and from 60 cities cross the border daily and new road, rail and bridge links with Guangdong province are in the planning stage or under construction.

- For further information, visit www.logisticschk.gov.hk



Hong Kong's container facilities, already the world's busiest, are due for further expansion.



Biometric passports to follow in bid to improve aviation security

Hong Kong is to adopt the international trend towards passports containing biometric data, to enhance aviation security and clamp down on crimes such as illegal immigration and forgery.

HKSAR biometric passports should be introduced in early 2007.

"This will tie in with the first tide of applications for renewal of some 429,000 HKSAR passports issued in 1997," explained a Security Bureau spokesman.

The new passports will have an embedded microchip containing the facial image and personal information of the holder. The chip will have sufficient spare capacity to also hold a fingerprint image to accommodate potential changes to international regulations in future.

Failure to incorporate biometric data into the passport would jeopardise the visa-free status currently enjoyed by Hong Kong citizens when visiting countries such as the US.

Experts gather for narco-conference

Experts from around the world gathered in Hong Kong in February to discuss ways to combat money laundering and drug abuse. Two international conferences were organised by the Narcotics Division of the Security Bureau and the Action Committee Against Narcotics.

More than 400 participants attended the conference on Creating Global Partnership and Synergy in the Fight Against Money Laundering.

Speaking at the opening ceremony, Financial Secretary Mr Henry Tang said Hong Kong would work with jurisdictions around the world to protect its premier status as a financial centre against the practice: "No financial centre is immune from the risk of its infrastructure being misused by money launderers. While New York, London and Hong Kong must do their best individually to protect their markets against money launderers or terrorists, none of us can really succeed on our own."

He said that sustained and co-ordinated efforts were essential in the difficult and protracted war against the crime.

"To stay ahead of the criminals, it is essential to continually review our strategies, improve our skills and plan ahead," he said.

Speakers discussed the challenges and opportunities faced by law enforcement agencies and prosecutors; the role of financial sectors and designated non-financial businesses and professions in the fight against money laundering; and the effects of cultural, economic and social differences on approaches to tackling money laundering.

Meanwhile, nearly 400 participants attended the conference on Recent Advances in Anti-substance Abuse Initiatives in the Global Context.

Local and international academics, social workers, government officials and professionals from related fields met to share the latest information on



The fight against money laundering attracted a high-calibre list of participants, including Hong Kong's Financial Secretary, Mr Henry Tang (front row, centre) and the Secretary for Security Mr Ambrose Lee (front row, third from right).



The International Conference on Tackling Drug Abuse attracted nearly 400 participants. Keynote speakers included the Secretary for Security, Mr Ambrose Lee (centre); Permanent Secretary for Security, Mr Stanley Ying (fourth left); Commissioner for Narcotics, Mrs Rosanna Ure (right); Chairman of the Action Committee Against Narcotics, Dr Choi Yuen-wan (fourth right) and Chairman of the Organising Committee of the International Conference, Professor Daniel Shek (left).

all aspects of the drug problem and discuss ways of tackling the issue.

Secretary for Security Mr Ambrose Lee told participants that to tackle the drugs problem, Hong Kong had adopted a five-pronged approach: Legislation and law enforcement, treatment and rehabilitation, preventative education and publicity, research and international co-operation.

He said that the sustained effort had borne fruit with the number of reported abusers on a downward

trend since 2001, with 2003's figures the lowest in the past 10 years.

"On treatment and rehabilitation, our philosophy is that drug abusers should be given the chance to cut their ties with drugs and become productive and law-abiding citizens. To do this, we need support from the community. Our government has been working closely with voluntary organisations in providing treatment and rehabilitation services."

Education, he added, was the most powerful weapon in tackling drug abuse, especially among young people.

HONG KONG

A dragon – with a view

The real magic of Hong Kong's stunning countryside is how close it is to the city. Lush valleys, sub-tropical forests, rugged peaks, coastal walks and secluded beaches form the little-known alter ego of Hong Kong.

In just a few minutes, you can step from busy urban areas into peaceful countryside. That's particularly true for the Dragon's Back trail which *Time* magazine declared as the Best Urban Hike in Asia (22 Nov 2004 Asia issue). The trail is "the city's finest and most surprising ramble", says *Time*. "The glory of it all is that you're so close to the city, but could hardly feel farther away."



The Dragon's Back in Shek O Country Park is a ridge with small peaks along the length of the D'Aguiar Peninsula on the south-east corner of Hong Kong Island. From the ridge there are spectacular views eastwards to Clear Water Bay Peninsula and



islands in the eastern sea approaches to Hong Kong. To the west there are views of Stanley Peninsula and the South China Sea. At the foot of the Dragon's Back is the popular village Shek O with its sandy beaches and alfresco restaurants.

The walk also goes through Tai Tam Country Park and passes through a variety of natural habitats: Upland scrub coloured with wild azaleas and rose myrtle, bamboo groves and forests. Tai Tam Park contains three of Hong Kong Island's largest reservoirs and is home to several species of terrapins.

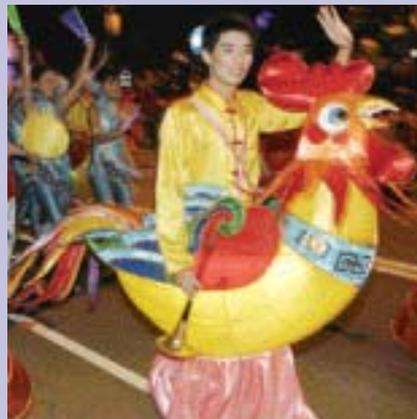


Celebrations light up the night

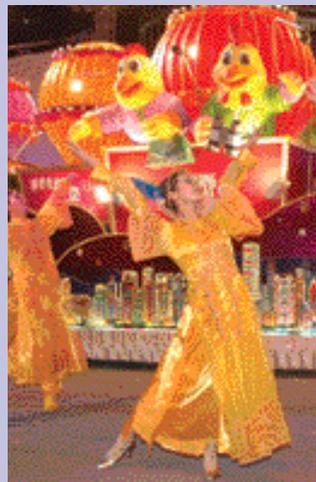
Hong Kong welcomed the Year of the Rooster in typically exuberant style, as 300,000 spectators cheered the 2005 Cathay Pacific International Chinese New Year Night Parade. A further 340 million worldwide watched broadcasts of the event.

The opening ceremony was performed by Hong Kong's Acting Chief Executive, Mr Donald Tsang. He welcomed visitors from around the world to an event he said epitomised the vitality and diversity of Hong Kong. He then inserted a giant gold coin symbolising prosperity into a specially-designed podium.

Other VIP guests added their good wishes before a drum ensemble set in motion the 12 decorated floats and 29 performing troupes. The event culminated at Tamar parade ground in front of 5,000 guests. Special lighting effects and giant video screens added to the excitement. Spectators outside Tamar were not left out. In two performance zones along the route, cheerleaders encouraged spectators to join



The parade featured no fewer than 29 troupes.



in, adding to the festive atmosphere.

The Night Parade is just one of the events helping boost tourist spending in Hong Kong.

In 2004, there were a record 21.8 million visitor arrivals to Hong Kong, spending HK\$91.8 billion. Payments made by visitors for goods and services consumed in Hong Kong grew to HK\$69.6 billion, of which HK\$38.6 billion was contributed by the record 12.2 million arrivals from Mainland China.

The Hong Kong Tourism Board will use most of the HK\$500 million of additional tourism funding proposed in the Budget to implement the 2006 Discover Hong Kong Year campaign; further develop the family and business traveller segments; and strengthen promotion of the Quality Tourism Services scheme.

The Board is staging the international marketing campaign to take advantage of major new tourism projects – Hong Kong Disneyland, Hong Kong Wetland Park and the Tung Chung cable car – coming on stream.

HONG KONG

Review

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