

Hong Kong Review

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The determination and perseverance shown in the drive to turn 'One Country, Two Systems' from concept into reality was testimony to the innovative abilities of the Chinese people, said Hong Kong's Chief Executive, Mr Donald Tsang, as he marked the ninth anniversary of the Special Administrative Region's establishment.

Much had been achieved despite challenges and difficulties over the past nine years, said Mr Tsang, who added that the successful implementation of the 'One Country, Two Systems' style of governance would be considered historically significant.



The ninth anniversary of Hong Kong's status as a Special Administrative Region was marked by a flag-raising and displays by the uniformed services.



Economy basks in ratings glow **2**



Clean air campaign **4**



Ocean Park ranked in world top 10 **8**



CPPCC Chairman Mr Jia Qinglin wears a trader's vest with the lucky number 6688 presented to him as a souvenir during his visit to Hong Kong Exchanges and Clearing Ltd.

HK welcomes Mr Jia

The Chairman of the Chinese People's Political Consultative Conference, Mr Jia Qinglin, sampled both business and leisure during a three-day visit to the Special Administrative Region (SAR).

Mr Jia's visit coincided with a forum marking the third anniversary of the Closer Economic Partnership Agreement (CEPA) with the Mainland.

At an official welcome dinner the Chief Executive,

Mr Donald Tsang, commented that the CPPCC Chairman's visit "reflects the Central Government's staunch support for the Hong Kong SAR and the importance it attaches to CEPA".

Mr Jia toured Cyberport, Hong Kong's IT flagship facility, which is designed to encourage exchange and synergy between IT professionals and help nurture professional talent.

He also visited Hong

Kong Exchanges and Clearing, commenting on the strength of the SAR's status as a financial centre, before strolling round one of the region's newest visitor attractions, the Hong Kong Wetland Park.

Speaking as his visit ended, Mr Jia said he had experienced a great warmth in his welcome and he could feel the prosperity and stability of the SAR.

Asia's world city



Tang proposes GST

Hong Kong's Government issued a consultation document in July on proposed reforms to the tax system. The Financial Secretary, Mr Henry Tang, said: "For many years we have been overly reliant on a limited number of widely fluctuating, cyclical sources of revenue. The introduction of a Goods and Services Tax (GST)...would secure the long-term sustainability of our revenue base and our capacity to meet public expenditure needs."

A low, simple, GST had been identified as the best way to broaden the tax base. It would be:

- * able to produce stable and predictable revenues, being based on consumption expenditure, which did not fluctuate to the same extent as income or asset values;
- * broad-based;
- * and fair, as individual

consumption would determine the amount of tax paid.

Mr Tang emphasised that the Government was acutely conscious of potential concerns over the introduction of a GST, particularly its impact on the economy and on low-income households. With this in mind, the Government was proposing a package of tax offset and relief measures.

• Hong Kong and the Mainland have agreed a new measure that will avoid double taxation on income.

It will cover both direct income for companies and individuals and indirect income, such as dividends and interest.

The new arrangement will allow information to be exchanged between the tax authorities of the two jurisdictions.

• www.taxreform.gov.hk

CEPA brings trade boost

Further liberalisation of trade measures between the Mainland and Hong Kong will come into effect next year, following talks between both sides on deepening the Closer Economic Partnership Arrangement (CEPA).

The Chairman of the Chinese People's Political Consultative Conference, Mr Jia Qinglin, used his speech marking the opening of the Mainland, Hong Kong and Macao Trade and Economic Co-operation Forum to announce the new development.

Commenting that the first two years of CEPA had generated 29,000 new jobs and HK\$5.4 billion in services receipts for Hong Kong, Mr Jia

said the agreement had also helped the Mainland become more open and boost its economic structure.

Following talks by the CEPA Steering Committee on 27 June, it was agreed the Mainland would further relax market access conditions in 10 areas of business from 1 January 2007: the law, construction, IT, conventions and exhibitions, audiovisual, distribution, tourism, air and road transport and individually-owned stores.

The State Council was also closely studying the scope for further expansion of renminbi business in Hong Kong, said Mr Jia.

• www.tid.gov.hk

HK again 'freest economy' as credit ratings improve



The Cato Institute of the US and Canada's Fraser Institute have yet again rated Hong Kong the world's freest economy for the 12th consecutive year.

Apart from the overall top ranking, the SAR ranked first in the 'freedom to trade internationally' category, as well as second in 'size of government', 'regulation of credit, labour and business', and 'labour market regulations'.

Meanwhile, independent endorsement of Hong Kong's financial and economic strength has come in the form of a cluster of upgraded ratings by international credit agencies.

Standard & Poor's (S&P) raised its foreign and local currency rating from AA- to AA. This is the highest grade S&P has ever awarded Hong Kong.

S&P said Hong Kong's stronger ranking was partly a reflection of the improved financial position of Mainland China.

Among other agencies, Fitch upgraded its long-term foreign currency rating outlook from 'stable' to 'positive'. Rating and Investment Information also upgraded its long-term foreign currency rating from AA- to AA while Moody's raised its ranking for Hong Kong's short-term foreign currency country ceiling from Prime-2 to Prime-1.

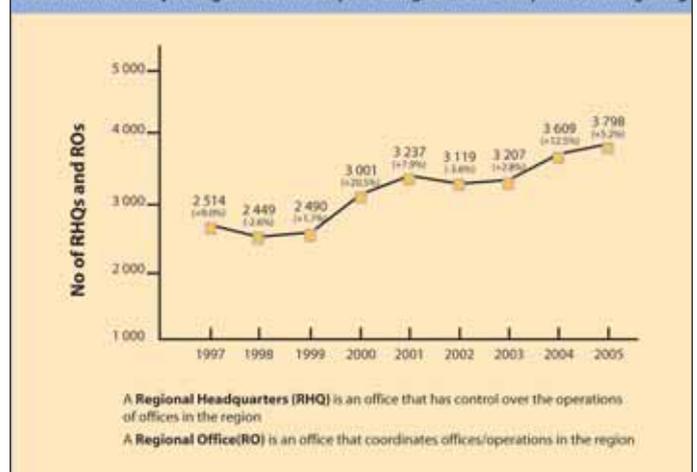
• Hong Kong has continued to attract large numbers of foreign and mainland companies.

Addressing the fifth annual reception for these new investors, the Chief Executive, Mr Donald Tsang, noted that in the past 10 months, Invest Hong Kong had facilitated no fewer than 156 completed projects. That compared with 144 at the same point last year (see table below).

Separately, the World Bank's study on *Doing Business in 2007* ranked Hong Kong fifth in terms of ease of doing business, up from sixth last year.

- www.investhk.gov.hk
- www.cato.org
- www.fraserinstitute.ca
- www.gov.hk/en/business

2005 Annual Survey of Regional Offices Representing Overseas Companies in Hong Kong



Bridge and airport plans will aid travel



Goods vehicles will be inspected before they move on to the Hong Kong Zhuhai - Macao Bridge.

Progress on several important fronts, including transport, infrastructure and public health, was reported at the conclusion of the Ninth Plenary Session of the Hong Kong / Guangdong Co-operation Joint Conference.

Elsewhere, meanwhile, another development should help air transport in the region.

One achievement at the Plenary was an agreement on the boundary crossing points on the planned Hong Kong - Zhuhai - Macao Bridge. There will now be three Customs facilities at the entry points to the bridge, with goods vehicles being inspected on the approaches to the structure.

Hong Kong's Chief Executive, Mr Donald Tsang, said it was important for security reasons that vehicles should be checked before getting on to the new bridge, which will span more than 30km of the Pearl River. It would be no more cumbersome for travellers to separate the various Customs facilities rather than housing them all at a central point, he said.

Other agreed measures included the setting up of notification mechanisms in

Hong Kong and Guangdong to exchange information on infectious diseases such as avian flu, and on food scares.

Co-operation will be extended in the fields of surveillance, alert and response systems to handle such emergencies.

The two parties also agreed to continue encouraging and facilitating Guangdong companies that wished to set up businesses in Hong Kong and use the Special Administrative Region as a launch pad for exports.

Meanwhile, Airport Authority Hong Kong (AA) has taken an important step into Mainland China's rapidly-growing aviation market with a joint venture agreement to manage and operate Zhuhai Airport in the Pearl River Delta (PRD).

Under the 20-year agreement, AA will take a 55 per cent stake, with 45 per cent being held by the state-owned Assets Supervision and Administration Commission of Zhuhai Municipal People's Government.

AA Chairman Dr Victor Fung described the move as "a prime example of the expanding partnership between Hong Kong and Guangdong [province]".

HK welcomes talented migrants to boost workforce

Hong Kong has introduced a new Quality Migrant Admission Scheme to attract talented people from Mainland China and overseas.

The scheme, which uses a points-based system, aims to attract people wanting to develop their careers in Hong Kong. It is open to applicants between the ages of 18 and 50 who can support themselves and their dependents during their stay in Hong Kong. Applicants must also be proficient in written and spoken Chinese or English, have no criminal or adverse immigration record, and have a degree from a recognised university or tertiary institution. Applicants are not required to secure

local employment before entering Hong Kong.

The Hong Kong Immigration Department began accepting applications at the end of June for an initial 1,000 slots.

Successful applicants can expect to come to Hong Kong by the end of the year. They will normally be granted an initial 12-month stay. By the end of that period, applicants should be able to demonstrate either that they have found employment or set up a business.

Information on the scheme and application forms can be downloaded from the Immigration Department website.

• www.immd.gov.hk

Oasis launched as low-cost carrier

A new player in the aviation scene is due to emerge imminently, with the planned start of services by Oasis Hong Kong Airlines.

The new carrier plans to begin four services a week between Hong Kong and London Gatwick in late October.

The airline, whose shareholders are Hong Kong-based investors, says it aims to open up the long-haul, low-cost market. It hopes to achieve low overheads by starting with a clean sheet of paper in terms of staffing and operational procedures, in the same way that short-haul low-cost carriers have revolutionised air travel in Europe and North America.

• www.oasishongkong.com

Action Blue Sky campaign starts



Schools and government departments are among those pledging to save energy and improve the atmosphere.

Every person's individual actions can help Hong Kong improve its air quality. That was the message from Chief Executive Mr Donald Tsang as he launched the Action Blue Sky Campaign on 25 July.

The campaign, with its slogan 'Clean Air for a Cool Hong Kong!' is being organised by the Environmental Protection Department.

At the campaign's opening ceremony, 17 schools and 13 corporations promised to implement green measures to conserve energy and thus help reduce air pollution.

Mr Tsang said his goal was to reduce energy

consumption in Government offices by at least a further 1.5 per cent this year. "I hope that every commercial building management will consider measures to save energy – they will also be saving money and the environment," he said.

Individuals could do their part by turning down their air conditioners. Setting them to 25.5C would save around one billion electricity units each year: "Every small step taken by each individual to support the clean-air initiatives in our daily lives can help reduce air pollution," he said.

To encourage people,

roving exhibitions with quiz booths on air pollution are being set up in 18 districts, while autumn will see a series of measures to encourage people to conserve energy.

In September, the Environmental Campaign Committee will join district councils and green groups to reinforce 'green' messages such as switching off idling engines and using energy-efficient products, while October sees the launch of the Student Environmental Protection Ambassadors Scheme to similarly promote a raising of environmental consciousness at schools.

Air quality plans are announced for the region

The last quarter of 2006 will see two important steps on the path to improving air quality in both Hong Kong and Guangdong province.

Following the Ninth Plenary Session of the Hong Kong/Guangdong Co-operation Joint Conference, it was announced that the first half-yearly report on monitoring results of the Pearl River Delta (PRD) Regional Air Quality Monitoring Network will be revealed in October.

By the end of the year, a mid-term review will also be undertaken of the PRD Regional Air Quality Management Plan. This will assess the effectiveness of various emission reduction measures as well as formulate enhanced control measures to ensure the region achieves its emission reduction targets by 2010.

Both parties are implementing, or plan to implement, measures to improve air quality. Guangdong, for example, will introduce liquified natural gas rather than coal or oil for power stations and speed up the introduction of tighter vehicle emission standards.

Hong Kong will also undertake several courses of action, including introducing yet tighter European vehicle emission standards and will continue to impose caps on power companies' emissions.

Panel studies waste, wind and water

The Legislative Council Panel on Environmental Affairs visited Denmark and Finland in August to find out the latest developments in avoiding and mitigating environmental pollution. Waste management, air pollution control and water quality management all came under the spotlight.

The delegation visited waste and energy facilities, and also met government officials and parliamentarians to exchange views. In Copenhagen, members' itineraries included visiting wind turbines on the islands



of Lolland and Falster and meeting the Danish Environmental Protection Agency.

In Helsinki, they visited the Viikinmaki wastewater treatment plant.

Members of the LegCo Panel on Environmental Affairs and Ms Sarah Wu, Director - General of the Hong Kong ETO (third from left), visit wind turbines in Denmark.

Basic Law boost in London

Mr Alan Hoo, a member of the Basic Law Promotion Steering Committee (BLPSC), Chairman of the BLPSC's Working Group on Overseas Communities and the Basic Law Institute visited London in July to promote the Basic Law.

The Hong Kong Economic and Trade Office

in London (HKETO) arranged an extensive programme of meetings with influential opinion-formers in Parliament and Government, as well as with members of think-tanks plus legal and business organisations.

He briefed the audiences on the implementation of

the Basic Law and constitutional developments in Hong Kong, especially on the work of the Commission for Strategic Development.

Mr Hoo also attended a reception at the residence of the HKETO Director-General, Ms Sarah Wu.



Mr Alan Hoo (first from right), at a get-together session with students from Hong Kong and professionals at HKETO Director-General Ms Sarah Wu's residence during his visit.

Dr Margaret Chan runs for WHO post



Dr Margaret Chan and the Chief Executive, Mr Donald Tsang, confer at Government House after news of her nomination for the post of WHO Director-General became public.

The Hong Kong Government has welcomed the Central People's Government's announcement that it will support former Director of Health, Dr Margaret Chan, to compete for the post of Director-General of the World Health Organisation (WHO).

The Chief Executive, Mr Donald Tsang, promised the Government's full support for her election campaign. Hong Kong was "exceedingly proud" of her nomination, which followed more than 25 years of public service to Hong Kong. She joined the WHO in 2003.

• www.info.gov.hk/gia/general/200609/05/-p200609050194.htm

Mr Tsang pointed out that Dr Chan had led the team that had beaten back the SARS epidemic: "She has first-hand experience in dealing with a global virus, an epidemic, in a most highly densely populated urban sector" and was "one of the best team players we have in Hong Kong". In her manifesto, entitled *Attaining Results for Health*, Dr Chan emphasised that WHO had the mandate, experience and authority to do great good in the world, and could attain impressive results for health provided that all positive forces could be harnessed under strong leadership.

Telecom World 2006

Arrangements are moving ahead for the International Telecommunications Union (ITU) Telecom World 2006.

The event is taking place for the first time in Hong Kong, from 4-8 December at the new AsiaWorld-Expo site.

Under the theme 'Living the Digital World', it comprises an exhibition and a Forum, which will provide platforms for showcasing technologies, networking and information exchange amongst senior executives and government officials from around the world.

WORLD 2006 will see a record number of Chinese companies and trade visitors looking for development opportunities and knowledge exchange with industry counterparts.

By August, more than 95 per cent of the exhibition space had been sold, including 20 national and thematic pavilions, together

with more than 100 exhibiting Chinese companies.

Top names at the Forum are due to include: Mr John Chambers, President and CEO of Cisco, Mr Wang Jianzhou, Chairman & CEO of China Mobile, Mr Serge Tchuruk, Chairman and CEO of Alcatel, Mr Carl-Henric Svanberg, President and CEO, Telefonaktiebolaget LM Ericsson, Mr Kaoru Yano, President, NEC Corporation, and Mr Sanjiv Ahuja, CEO of Orange, UK.

Among top exhibiting companies will be: China Telecom, China Mobile, Microsoft, China Satcom, Datang Telecom, LM Ericsson and Huawei.

The latest list of exhibitors, forum programme and speakers can be found at

- www.itu.int/world2006
- www.world2006.hk

Host City Web Site:
Host Country Secretariat at marketing@world2006.hk

Hong Kong's Director-General of Telecommunications, Mr MH Au, made a whirlwind tour of UK telecom and regulatory officials in June.

Visits to senior personnel at British Telecom, regulator Ofcom and the Office of Fair Trading were interspersed with a seminar organised by Asia Pacific Technology Network (APTNet) and the Hong Kong Economic and Trade Office in London.

Mr Au updated his audience on developments in the Hong Kong telecoms market and the opportunities for investors there, with its high levels of broadband penetration and technically-literate population.



Cross-border IP co-operation increases



The Director of Intellectual Property, Mr Stephen Selby (left), and the Director General of Guangdong Provincial Intellectual Property Office, Mr Li Zhongduo, speak to the press following the fifth meeting of the Guangdong/Hong Kong Expert Group on the Protection of Intellectual Property Rights.

The latest meeting of the Guangdong/Hong Kong Expert Group on the Protection of Intellectual

Property Rights, held in Hong Kong on June 22, agreed to step up co-operation to raise the

level of public awareness of intellectual property (IP) in both places.

The two concluded that many IP co-operation items had been successfully completed. These include an IP education sharing programme for teachers from primary and secondary schools of both regions; a training and exchange programme for IP officials from Hong Kong and Guangdong; and an IP seminar in Zhanjiang.

Projects for the second half of the year included enhancing the IP education sharing programme for teachers in both regions and organising a seminar on 'Intellectual Property and the Development of Small and Medium Enterprises' in Guangdong province.

The Director General of Guangdong Provincial

Intellectual Property Office, Mr Li Zhongduo, said the meeting had been very fruitful in increasing co-operation.

- Hong Kong is recruiting young computer users to report on piracy on the internet.

The Youth Ambassador Against Internet Piracy Scheme has been running as a pilot project since February.

At the July 19 launch of the full-scale project, Secretary for Commerce, Industry and Technology, Mr Joseph Wong, said it was the first example worldwide of government and customs authorities cooperating with youth groups that pledged that they would not buy fakes, or illegally upload or download software.

They will also report any illegal activities they discover on the internet.

Ways to strengthen IP protection on Mainland

Hong Kong's Director of Intellectual Property, Mr Stephen Selby, detailed initiatives to promote intellectual property rights in Hong Kong and China in London in July.

Addressing business executives, he described how his team was making the process of registering trademarks and protecting patents faster and simpler.

Mr Selby noted that Hong Kong and the Mainland

operated different systems, so patents, trademarks or designs had to be registered in both.

Mr Selby added that his department was being increasingly drawn into the question of intellectual property on the Mainland.

One problem was that IP as a concept had no real historical antecedents in China, so it was difficult to get the idea to take root.

To deal with this his

department had adopted a concept developed in the UK: intellectual asset management.

This took a broader approach to the problem than just focusing on trademarks and patents and had the advantage of resembling concepts taught by a 3rd Century Chinese philosopher, Zhuang Zi. This made it more acceptable and familiar to Chinese people, he said.

- www.ipd.gov.hk

Fast action promised for shows

Hong Kong Customs will launch a scheme aimed at combating intellectual property rights infringements at exhibitions.

Under the Fast Action Scheme, companies intending to join exhibitions can provide information on brands and copyrights of products they intend to display to the relevant industry organisations in advance, for verification and record-keeping.

If intellectual property rights infringement activities are suspected Customs officers can follow up promptly, based on this advance information.

The new scheme will be trialed at an electronics exhibition in October.

- www.customs.gov.hk



Director-General of the Hong Kong Economic and Trade Office in London (HKETO), Ms Sarah Wu, with the Silver Hill Foods team, winners of the non-club event at the 10th London Dragon Boat Festival on 6 August at the Isle of Dogs.

London Chinatown Lions Club hosted the event and the HKETO was one of the day's major sponsors, which benefited several charities, including the Chinese Mental Health Association.

After New Year celebrations, the Dragon Boat Festival is the most visible Chinese annual cultural event in London. Once again, stretches of water in Docklands were the setting for decorated vessels and the expenditure of much energy as the 17 teams battled it out for the winning line.



Ocean Park has nurtured strong links with conservation and animal husbandry.

Park in top 10

Hong Kong's Ocean Park has been rated as one of the world's 10 most popular amusement parks, in terms of visitors, on the website of US business publication Forbes Magazine.

The most prominent company in the top 10 was Disney, with its worldwide chain of attractions. Ocean Park was seventh with 4 million visitors in 2004-5.

Ocean Park Chief Executive Mr Tom Mehrmann commented: "We are honoured to be

among the world's best theme parks. We see this recognition as a source of pride for our staff and the people of Hong Kong. We will continue to offer new and exciting attractions, as well as events and programmes to bring people closer to nature."

Ocean Park has attracted 75 million visitors over the past 29 years. In May this year it beat its previous full-year attendance record of 4,030,000 in just 10 months and 28 days.



'Sea Jelly Spectacular' This is among the park's new attractions.

Tourism rises again

Visitor arrivals to Hong Kong in the first six months of 2006 exceeded 12.19 million, the Hong Kong Tourism Board has announced – an 11.1 per cent increase over the same period last year.

Arrivals from Mainland China showed a 14 per cent gain, South & Southeast Asia rose 11 per cent, and Europe, Africa and the Middle East by 9.7 per cent.

Of the more than 6.7 million Mainland visitors in the first six months of the year, some 3.16 million travelled to Hong Kong under the Individual Visit Scheme. This was a 24.4% increase over the same

period last year

Hotel occupancy across all categories of hotels and tourist guesthouses in January-June was 86 per cent, three percentage points higher than in the same months in 2005.

A further boost to 2006's tourism figures came with the 24 June launch of the 2006 Hong Kong Shopping Festival.

With record participation by more than 7,800 outlets, the two-month-long Festival highlighted different facets of the city's diverse shopping experience, including open-air markets and Chinese authentic speciality store clusters.



Financial Secretary Mr Henry Tang and guests trigger a fireworks display to launch the 2006 Hong Kong Shopping Festival.