



## Donald Tsang sworn in as Chief Executive

**THE** State Council of the Central People's Government on June 21 appointed former Chief Secretary for Administration Donald Tsang as Chief Executive of the Hong Kong Special Administrative Region (HKSAR) until June 2007.

Mr Tsang took an oath of office as HKSAR's Chief Executive before Premier Wen Jiabao and received the Central People's Government's appointment letter at the Great Hall of the People in Beijing on June 24 (see pictures).

State Council Secretary-General Hua Jianmin presided over the oath-taking ceremony. Mr Tsang pledged he would uphold the Basic Law, be dedicated to serving Hong Kong and abide by the law.

Speaking after the ceremony, Premier Wen said the support of the Mainland and Hong Kong people are more important than greetings. He noted the work of Mr Tsang will be challenging, but he believes Mr Tsang will put his words into action, bring Hong Kong people together, lead the Government and maintain the city's prosperity.

President Hu Jintao, in a meeting with Mr Tsang in the afternoon, said the result of the 2005 Chief Executive election had demonstrated community support for and recognition of Mr Tsang, as well as the Central People's Government's confidence in him. He hopes Mr Tsang continues to contribute to the city's stability, prosperity and development.

Mr Tsang said it is an honour to be the Chief Executive. He would continue to serve Hong Kong and the Mainland wholeheartedly.

### Hong Kong heading for a bright future

Speaking at the reception to celebrate the eighth anniversary of the HKSAR's establishment on July 1, Mr Tsang said he was delighted to attend for the first time as Chief Executive of Hong Kong.

Mr Tsang said the community has developed a consensus that to sustain growth of our economy, Hong Kong must leverage the staunch support of the Mainland as well as our own global outlook, and fortify our status as a major international hub for finance, trade, logistics, tourism and information.

Mr Tsang said President Hu Jintao encouraged him to improve the HKSAR Government's governance. He pledged that under his administration, decision making will be accountable and expedient, based on the interests of the people, and implementation of policies will be efficient, realised by meritocracy. ◇



## Rafael Hui appointed Chief Secretary



**THE** State Council approved on June 30 the appointment of Rafael Hui as Chief Secretary for Administration of the HKSAR, on the nomination of Chief Executive Donald Tsang, and in accordance with the Basic Law.

Mr Hui said he would complement Mr Tsang's work to implement people-based policies and build a harmonious, vibrant society.

Mr Hui, who had worked in the Government for 30 years before joining public organisations, pledged to run the Government in a highly effective manner, provide a level playing field, spearhead economic development, increase jobs and make Hong Kong a better place to live. He has held many key posts in the Civil Service including Secretary for Financial Services. ◇



## FS promotes Hong Kong in Bangkok and Kuala Lumpur

**FINANCIAL** Secretary Henry Tang led a delegation of government officials and tourism industry leaders to Bangkok, Thailand to promote tourism on May 9.

At the "Discover the Hong Kong Magic" tourism promotion luncheon attended by more than 200 guests from the Thailand tourism industry and media, Mr Tang said that over US\$4 billion of government funds had been spent over the past few years to develop tourist attractions that would help develop Hong Kong into the premier tourist destination in Asia.

"Hong Kong has long prided itself in being a cosmopolitan city with state-of-the-art infrastructure and world-class efficiency, a paradise for shoppers and connoisseurs alike. With the new projects we are building, Hong Kong is set to go beyond our core strengths of fine dining and shopping, offering our visitors a full and diversified experience, especially for families."

"The opening of Hong Kong Disneyland in 2005 presents a unique opportunity for Hong Kong to reposition itself as a premier destination for family tourists," Mr Tang said.

An evening reception was organised by Hong Kong Economic and Trade Office (HKETO) on the same day to further promote Hong Kong's latest tourism facilities to community leaders in Thailand. Some 200 guests comprising senior government officials, diplomats, leaders of Thai chambers of commerce and industry, business associations and senior business executives attended. Mr Tang delivered a speech highlighting the growing ties between Hong Kong and Thailand and Hong Kong's latest tourism attractions.

During his stay in Bangkok, Mr Tang also had a breakfast meeting with Thai Minister of Commerce Thanong Bidaya, and called on Minister of Tourism & Sports Somsak Thepthusin, and Minister of Finance Dr Somkid Jatusripitak.

### Business opportunities in spotlight

After Bangkok, Mr Tang visited Kuala Lumpur on May 10 to 12. While in Kuala Lumpur, he called on Minister of International Trade & Industry Dato' Seri Rafidah Aziz, and Minister of Finance Tan Sri Nor Mohamed Yacop.

On May 11, Mr Tang hosted a luncheon arranged by HKETO for senior executives in Malaysia's financial services sector. He

briefed the participants on the recent developments in the financial services sector of Hong Kong and discussed with them how financial services sectors in both places could collaborate in future.

Mr Tang also briefed representatives of the local media on the latest economic developments in Hong Kong and business opportunities available to Malaysian enterprises. ◇



*Chairman of Hong Kong Tourism Board Selina Chow, Financial Secretary Henry Tang and Hong Kong Disneyland Group Managing Director Don Robinson picture with Disney characters at the "Discover the Hong Kong Magic" luncheon in Bangkok.*



*Financial Secretary Henry Tang (sixth from left), Director, HKETO K K Lam (seventh from left) picture with guests at the evening cocktail reception in Bangkok.*

## Tourism roadshow in Singapore draws distinguished guests

**THE** "Discover the Hong Kong Magic" tourism promotion was also staged in Singapore on June 24.

"Tourism is a key driving force of Hong Kong's economy and Singapore is our largest source market in South and Southeast Asia. More than 463,000 Singaporean visitors came to Hong Kong last year, representing a 75% growth over 2003," Commissioner for Tourism Eva Cheng said during the event.

Before Ms Cheng's speech, a vibrant multi-media presentation showcased the four major flagship tourism projects that Hong Kong will offer from September 2005 to mid-2006. They are the Hong Kong Disneyland, Phase II of "A Symphony



*Commissioner for Tourism Eva Cheng speaks at the "Discover the Hong Kong Magic" luncheon in Singapore.*

of Lights", the "Ngong Ping 360" and the Hong Kong Wetland Park.

The "Discover the Hong Kong Magic" tourism promotion in Singapore was warmly received by nearly 300 guests from the government and diplomatic corps, the tourism industry, business sector and the media.

Key members of the delegation included Chairman of Hong Kong Tourism Board Selina Chow; Commissioner for Tourism Eva Cheng; Group Managing Director of Hong Kong Disneyland Don Robinson and key representatives of the tourism industry. They also took part in the promotion event in Bangkok. ◇



## Pacific Basin Economic Council Conference held in Hong Kong



Chairman of Pacific Basin Economic Council David Eldon (first from left) hosted a reception, sponsored by InvestHK, at the Government House on June 12 to welcome delegates.

**THE** 38<sup>th</sup> Pacific Basin Economic Council International General Meeting (IGM) took place in Hong Kong from June 11 to 14. The meeting with the theme "Pacific Basin: Setting the Pace for the Global Economy" brought together business and government leaders from both sides of the Pacific to discuss emerging business opportunities — as well as the key challenges facing the region.

Vice Premier Wu Yi called upon Asian countries to step up cooperation for "win-win and harmony in development." Prime Minister of Malaysia Dato' Seri Abdullah Haji Ahmad Badawi said that a "New Asia" was emerging based on increasing levels of economic integration and innovation, while former US Secretary of State Colin Powell talked about the "sweep of history" in Asia and the global significance of China's rise.

Speaking at the opening of the event, Acting Chief Executive Henry Tang noted that Hong Kong is the pre-eminent platform for doing business on the Mainland, a position that was strengthened with the launch of the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) last year. This agreement increases trade and economic flows across the boundary by removing tariffs from many Hong Kong products imported into the Mainland, whereas Hong Kong service providers in 26 service industries and professions would enjoy preferential access to the Mainland market. Liberalisation measures under CEPA go beyond China's World Trade Organisation commitments and are ahead of the proposed ASEAN+1.

Last year, Hong Kong signed the Pan-Pearl River Delta (Pan-PRD) Framework Agreement, which would enhance economic co-operation among nine provinces in southern and western China, as well as with the special administrative regions of Hong Kong and Macao.

"With CEPA giving Hong Kong's service providers easier access to the Mainland, they can bring special expertise, a global network and cutting-edge technology to that rapidly growing market. And the best way for overseas companies to take advantage of CEPA and Pan-PRD, and to tap into the huge potential they offer, is to establish their presence in Hong Kong, or to hook up with a Hong Kong partner. It is in a way a guide so that you can make fewer mistakes." Mr Tang told the delegates in Hong Kong. ◇

## Hong Kong commemorates 15<sup>th</sup> anniversary of the Basic Law promulgation

**SINCE** it was promulgated 15 years ago, Hong Kong's mini-constitution — the Basic Law — had helped the territory maintain its connections in the international arena and provide scope for new developments, said Secretary for Constitutional Affairs Stephen Lam.

Speaking at the opening ceremony of a carnival on May 28 to celebrate the 15th anniversary of the promulgation of the Basic Law, Mr Lam pointed out that Hong Kong

continued to be a member on international organisations after the 1997 Handover.

The Government had endeavored to promote the Basic Law since the reunification in 1997, Mr Lam said.

The Basic Law is the constitutional document for the HKSAR. It enshrines within a legal document the important concepts of "One Country, Two Systems", "a high degree of autonomy" and "Hong Kong People ruling Hong Kong". ◇

## Hong Kong to hold 2008 Olympic equestrian events

**PRESIDENT** of the Beijing Organising Committee for the Games of the XXIX Olympiad (BOCOG) Liu Qi announced on July 8 that the 2008 Olympic equestrian events would be held in Hong Kong.

The International Olympic Committee, the Federation Equestre Internationale (FEI) and the BOCOG made the decision for the best interests of the competition and the well-being of the horses.

FEI president Dona Pilar de Borbon said the Federation was confident that the BOCOG and Hong Kong would ensure that excellent Olympic equestrian events would be staged in the city.

Describing the staging of the Olympic equestrian events as a milestone in Hong Kong's sporting history and a great honour for sharing the glory of hosting the Olympics for the first time in China, Chief Executive Donald Tsang said the Government would work closely with all the parties concerned to ensure a successful sporting spectacular in Hong Kong in 2008. ◇

## Refinements to the Operation of the Linked Exchange Rate System

**THE** Hong Kong Monetary Authority (HKMA) announced on May 18 the introduction, with the agreement of Financial Secretary Henry Tang, of three refinements to the Linked Exchange Rate System, whereby the Hong Kong dollar has been pegged to the US dollar since 1983.

The refinements are aimed at removing uncertainty about the extent to which the exchange rate of the Hong Kong dollar may strengthen under the System, and at promoting smooth functioning of the money and foreign exchange markets in accordance with Currency Board arrangements.

"The refinements will contribute to enhancing monetary and financial stability which is clearly in the public interest," Mr Tang said. "The Government has no plan or intention to change Hong Kong's Linked Exchange Rate System," he added. Details of the refinements are available from the HKMA website <http://www.gov.hk/hkma> ◇



**AS** part of its efforts to promote cultural exchanges between Hong Kong and Singapore, HKETO invited 70 VIP guests to enjoy a concert staged by the Singapore Symphony Orchestra featuring world-renowned Hong Kong tenor Warren Mok on July 22. Mr Mok (right) demonstrated his support to HKETO by joining a pre-concert reception hosted by Director, HKETO K K Lam. The performance won enthusiastic reception of the audience, who was treated to a wonderful aural experience at the Esplanade. ◇

**PERMANENT** Secretary for Economic Development and Labour (Labour) and Commissioner for Labour Matthew Cheung (third from right in the front row) conducted an official visit to the Singapore Ministry of Manpower on July 25 to 27. At the dinner hosted by HKETO in honour of him, senior representatives of key Hong Kong-affiliated organisations in Singapore were updated on the latest economic and employment situation in Hong Kong. They also keenly exchanged views with Mr Cheung on the employment scene of the SAR and the city state. ◇

## CEPA benefits Hong Kong economy and business enterprises

**THE** Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) has brought considerable benefits to both business enterprises and the Hong Kong economy, according to a HKSAR Government study of CEPA's economic impact.

The study, which covers trade in goods, trade in services and the Individual Visit Scheme (IVS), assessed the economic impact of the first phase of CEPA (CEPA I) for the first year of its implementation since January 2004, and forecast its impact on the Hong Kong economy in 2005.

For trade in goods, over 90% of respondent companies considered CEPA I beneficial to the Hong Kong economy, and 89% considered beneficial to the manufacturing sector.

In 2004, more than 3,000 certificates of origin were issued under CEPA I, involving products with a total value of HK\$1.15 billion, which enjoyed tariff free entry into the Mainland. It is expected that the value of CEPA exports to the Mainland will increase by HK\$1.2 billion in 2005, doubling that in 2004.

For trade in services, 78% and 46% of respondent companies considered CEPA I beneficial to the Hong Kong economy and their own industries respectively.

Noting that over 660 companies had

obtained the Hong Kong Service Supplier certificates in 2004, the study found that 27% of them had already set up operations under CEPA I in the Mainland.

Besides, companies in the 18 sectors covered in CEPA I increased their capital investment in Hong Kong by HK\$1 billion in 2004 due to CEPA. The amount is expected to surge to HK\$4.5 billion in 2005.

Services receipts generated in 2004 as a result of CEPA I amounted to HK\$1.6 billion and the amount is expected to reach HK\$3.8 billion in 2005.

In accordance with CEPA, Hong Kong will progressively enhance its provision of professional services in the Mainland, especially in the Pan-Pearl River Delta, or "9+2" region, which comprises nine provinces and the two special administrative regions of Hong Kong and Macao.

Under the IVS, Mainland residents made 4.26 million trips to Hong Kong in 2004, accounting for 34.8% of all Mainland visitors or 20% of total visitors. These IVS visitors generated an additional HK\$6.5 billion in tourist spending during the year.

More information on CEPA and "9+2" can be obtained via <http://www.tid.gov.hk/english/cepa> and <http://www.gov.hk/cpu> respectively. ◇

## Road link to Macao and Zhuhai

**ANOTHER** milestone is laid for the proposed Hong Kong – Zhuhai – Macao bridge (HZMB), 29 km in length and spanning the mouth of the Pearl River.

Governments of the three places have reached agreement on the alignment of the HZMB. The chosen northern bridge-cum-tunnel alignment, with landings at San Shek Wan in Northwest Lantau, Gongbei in Zhuhai and A Perola in Macao, would cut travelling time between Hong Kong and the other two cities to below 30 minutes.

Governments of the three places are now deliberating findings of the feasibility study for the HZMB, with a view to submitting an application to the State Council for the official establishment of the project.

At an estimated cost of US\$3.8 billion, the construction of the bridge is forecast to commence in 2006 and will take around four years to complete. ◇



## Hong Kong's foreign currency ratings upgraded

**STANDARD** & Poor's (S&P's) on June 20 decided to upgrade Hong Kong's foreign currency sovereign credit ratings by one notch to AA-/A-1+ from A+/A-1, with a stable outlook. The decision was welcomed by the HKSAR Government.

S&P recognised the significant improvement in Hong Kong's fiscal prospects driven by steady economic growth, continued recovery in asset markets, return to inflation and tighter expenditure control. S&P also said that the upgrade in Hong Kong's foreign currency ratings was linked to the upgrade of China's foreign currency rating to A- from BBB+, pointing out that the principal risk to Hong Kong — potential challenges that may arise from increased economic integration with the Mainland — had been reduced as a result of China's robust economic performance, sustained structural reform and overall strengthening of China's credit worthiness.

Welcoming S&P's rating action, Financial Secretary Henry Tang said the upgrade represented an important recognition of Hong Kong's sound economic fundamentals, improved public finance and growth prospects. ◇

## HKIA and Cathay Pacific receive top awards



**AVIATION** industry executives from around the world applauded Hong Kong International Airport (HKIA) for winning the "Best Airport Worldwide" title in the 2004 AETRA survey at the awards presentation ceremony held in Kuala Lumpur in June.

The Chief Executive Officer of the Airport Authority Hong Kong (AA) Dr David J Pang received the top prize from Malaysia's Minister of Transport Datuk Seri Chan Kong Choy (see picture).

HKIA ranked first in overall passenger satisfaction among both business and leisure travellers in the 2004 AETRA survey, carried out at 48 participating airports measuring passengers' experiences on the day of travel.

Separately, Hong Kong carrier Cathay Pacific Airways was named in the same month Airline of The Year, Best Airline Asia and Best First Class in the world's "largest" global passenger poll.

London-based Skytrax said its 2005 World Airline Awards poll was the world's "largest" passenger survey ever with more than 12.3 million eligible nominations. Votes were cast by different nationalities from June 2004 to May 2005. ◇

## Hong Kong's economy ranks the most competitive in Asia

**HONG KONG'S** economy is now the most competitive in Asia and the second most competitive in the world, behind the United States, according to the World Competitiveness Yearbook 2005, which was released on May 12 by the International Institute for Management Development (IMD).

The territory's ranking among the 60 economies (including nine regional economies within countries) surveyed rose from sixth in 2004 to second. The territory's ranking among small economies also rose, from third to first.

The economies were ranked according to an analysis of 314 criteria, under four main input factors: economic performance, government efficiency, business efficiency and infrastructure.

Hong Kong's economic performance rose notably, as did its government efficiency, business efficiency and infrastructure.

On individual criteria, Hong Kong ranks first in 29 criteria, and obtains a very high rank in a number of other areas, including ease of doing business, entrepreneurship, labour regulations, legal and regulatory framework, direct investment flows and stock market capitalisation.

Welcoming the latest ranking, Financial Secretary Henry Tang said the HKSAR Government has consistently strengthened infrastructure, promoted a business-friendly environment and maintained a level playing field. These efforts have facilitated trade and investment, and elevated Hong Kong's attractiveness to investment from both foreign and Mainland Chinese enterprises.

"As recognised by the IMD, the flexible labour market, entrepreneurship, sound legal and regulatory framework and an open economy will continue to underpin Hong Kong's competitiveness as a place for doing business," said Mr Tang. ◇

## Hong Kong's ranking in 2004 International Trade

**THE** World Trade Organisation (WTO) Secretariat recently released statistics on world trade in 2004, based on the first preliminary compilation of statistics for the year.

According to these statistics, Hong Kong was the world's 11th largest trading entity in merchandise trade (same as in 2003) and the 15th largest services trading entity (same as in 2003). Some highlights are:

### a. Merchandise Trade

- i. Hong Kong remained the 11th largest trading entity in goods in 2004.
- ii. Taking the EU as a single trading entity, Hong Kong was ranked the world's sixth largest trading entity in goods in 2004, same rank as in 2003.
- iii. Hong Kong's total merchandise trade in 2004 was US\$538.7 billion, an increase of 16.6% over 2003.
- iv. Hong Kong accounted for 2.9% of the world's total merchandise trade in 2004, compared to 3.0% in 2003.
- v. In 2004, Hong Kong was the world's 11th largest exporter (same as in 2003) and the 11th largest importer of goods (same as in 2003).

### b. Commercial Services Trade

- i. Hong Kong remained the 15th largest services trading entity in 2004.
- ii. Hong Kong's trade in services in 2004 totalled US\$83.3 billion, a rise of 19.3% compared to 2003.
- iii. Hong Kong accounted for 2.0% of the world's total services trade in 2004, same as in 2003. ◇



# Hong Kong continues to attract investment

**INVEST** Hong Kong achieved very positive results from its investment promotion work in the first six months of 2005.

Director-General of Investment Promotion at Invest Hong Kong Mike Rowse said the government department assisted 144 foreign companies to set up or expand operations in Hong Kong during the first six months of 2005, representing 13.4% increase from the same period last year.

Mr Rowse said the department was encouraged by the half-year results, which suggest that Hong Kong remains highly attractive to overseas and Mainland companies in various sectors.

He said, "Last year was a record year for investment promotion in Hong Kong, with the all-time-highs in projects completed by Invest Hong Kong and the number of regional headquarters operated by foreign companies in Hong Kong. Our department sees a continuing trend in investors using Hong Kong's many advantages as a business hub and two-way platform to and from the Mainland."

A few companies from ASEAN countries established their businesses in Hong Kong in the last few months with the assistance of Invest Hong Kong.

## Malaysian IT company expands Hong Kong subsidiary

Founder GlobalTech Limited, an IT specialist in finger printing security and digital rights management celebrated its expansion in Hong Kong on April 20.

A Hong Kong subsidiary of Malaysian IT group PUC Founder (MSC) Berhad, Founder GlobalTech Limited was established in January 2004 as the company's first overseas office. Since then, Founder GlobalTech has built a strong international marketing and research & development base for the company.

The company currently employs 18 staff in Hong Kong, and the expansion will mean an increase of around 30% in headcount by the end of 2005.

According to the Chief Executive Officer of Founder GlobalTech See Chiu Yeung, the company's overseas growth strategy had placed an emphasis on the localisation of employees. About 95% of its solutions professionals and support engineers were recruited locally in Hong Kong.

"We are very excited about our expansion in Hong Kong," Mr See said, "Under our staff localisation policy, we are able to enjoy the value provided by local talent. They help ensure that

our products are adapted to complement the Chinese culture. Leveraging their market knowledge, we can provide great value in our initial stage business analysis and in our client support services. We will continue to actively encourage local talent to join us and establish a strong R&D centre for our long-term development."

## Singapore-based bakery chain lands in Hong Kong

Well-known Singaporean bakery chain BreadTalk celebrated the grand opening of its first Hong Kong outlet in Olympian City on June 26. Seeing huge potential in the Hong Kong food and beverage market, BreadTalk plans to expand rapidly in the city.

The new store is operated by Hong Kong BreadTalk Limited, a joint venture between Singapore-based BreadTalk Group Limited and its Hong Kong business partner Derek Liu Kit Man.

Mr Liu said, "We see a lot of potential for growth for BreadTalk in Hong Kong. Hong Kong consumers are receptive to new products and services. Their growing health-awareness has also created an increased demand for fresh, hygienic and healthy food. This fits perfectly with BreadTalk's emphasis on offering creative and healthy products to customers."



Director of BreadTalk Hong Kong Derek Liu showing the shop's "Bow-Tie" bun.

According to Mr Liu, the company plans to open three to four shops by the end of this year. During the next three to five years, another 15 to 20 outlets are planned in Hong Kong and Macao.

The Group Managing Director of BreadTalk George Quek said, "The launch in Hong Kong will play a strategic role in our overall business development in the region. The Hong Kong market is watched closely by Mainland consumers. Our presence in Hong Kong will help create higher brand awareness in the Mainland — one of our key target markets."

## Thai Sky Airlines sets up Hong Kong base

Thai Sky Airlines has set up an office in Hong Kong to oversee sales and marketing to regional travellers — the airline's first base outside its headquarters in Bangkok.

The airline launched services between Bangkok and Hong Kong earlier this year. From July 15, the airline operates four flights per week between Bangkok and Hong Kong.

The General Manager of Thai Sky Airlines Co, Ltd Freeman So said, "We see tremendous business opportunities and room for growth in the Asian region, especially in Thailand, Malaysia, Hong Kong and Mainland China. With the booming economy and growing affluence of regional travellers, we expect the aviation market pie to expand for both business and leisure travellers."

Mr So discussed the advantages of Hong Kong for Thai Sky. He said, "With its strategically central location, Hong Kong provides the ideal base for airlines. Our customers can fly to most of the Asian region in five hours or less. In addition, the vibrant tourism industry here offers a readily available market for our services. The city's excellent infrastructure, particularly Hong Kong International Airport, and the opportunity to establish contacts with a large number of local and foreign media and marketing channels make Hong Kong a great investment destination".

Thai Sky Airlines plans to acquire more aircraft and apply for listing in Thailand and Hong Kong. It commenced services between Bangkok and Kuala Lumpur in May and will launch Bangkok-Taipei services later this year. Thai Sky expects to expand its destinations to Seoul, India, and Mainland cities in future. ◇

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