



## CE Donald Tsang delivers maiden Policy Address

A host of financial and infrastructural enhancements would be key in taking Hong Kong's economic growth into the future, Chief Executive of the Hong Kong Special Administrative Region (HKSAR) Donald Tsang said.

They topped a host of strategies outlined in his maiden Policy Address delivered on October 12.

"My Policy Address ... builds on our past achievements and delivers on the pledges I made during the Chief Executive Election campaign. I have pledged to secure a 'people-based' government which pursues excellent governance, a harmonious community and widespread economic growth. I believe this is the common wish of the people." said Mr Tsang.

His Policy Address comprises three main sections, namely Pursuing Excellence in Governance, Fostering Harmony in the Community and Helping the Economy Power Ahead.

Mr Tsang said: "Strong government is a prerequisite for economic development. A harmonious society, itself founded on strong government and economic development, will create a favourable environment to achieve these goals. These three elements are interwoven, and of equal importance."

To achieve excellence in governance, he advocated vision of strong governance, strengthening of the relationship with the Central Authorities and the Mainland, expanding the Executive Council and the Commission on Strategic Development, enhancing work in districts, and taking forward constitutional development.

On helping the economy power ahead, Mr Tsang said: "Our strategy is to 'leverage the Mainland and engage ourselves globally'; to strengthen our advantages; to encourage entrepreneurship and fair competition under the principle of 'Big Market, Small Government'; and to consolidate our position as Asia's world city and our role as a key international financial, trading, transportation and information hub of China."

Measures will include developing an externally oriented economy, enhancing Hong Kong's status as an international financial centre, furthering the Closer Economic Partnership Arrangement, extending the Individual Visit Scheme, promoting regional economic cooperation, optimising human resources, and pressing ahead continuous infrastructural development.

Mr Tsang, in addition, said fostering harmony in the community required the concerted efforts of the Government and all sectors of the community.

He pledged to uphold social justice, encourage fair competition,



*CE Donald Tsang pledges to secure a "people-based" government.*

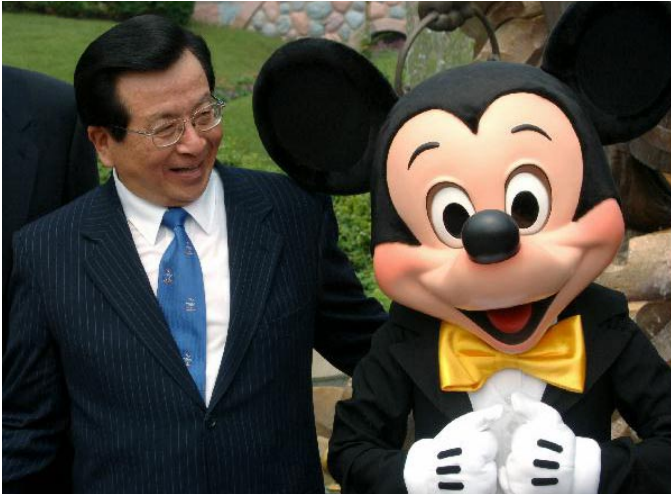
help the needy, cherish family values, protect labour rights, deal with environmental pollution and promote food safety and health.

"Hong Kong is presented with unprecedented opportunities: our country is making spectacular progress and the Asia-Pacific region is poised for new growth. We face excellent prospects. Being in the right place at the right time, we now have the right climate for social harmony and good governance. This is an epochal opportunity for Hong Kong and we must seize it for future generations." he added. ◇



## Regional talks generate interest on Hong Kong

**DIRECTOR**, HKETO K K Lam gave talks on Chief Executive Donald Tsang's Policy Address in Singapore, Kuala Lumpur, Bangkok, Jakarta and Ho Chi Minh City on October 14, 17, 18, 24 and 27 respectively. At each venue, Mr Lam highlighted the three main themes of the Policy Address, and Mr Tsang's view that Hong Kong was presented with unprecedented opportunities and enjoyed excellent prospects. The five talks attracted a total of more than 200 guests comprising senior government officials, diplomatic corps, leaders of chambers of commerce and industry and business associations, senior business executives, leaders of the international and community organisations, think-tanks, academics and the local media. ◇



*President Zeng Qinghong picture with Mickey Mouse on the opening of Hong Kong Disneyland.*

## Hong Kong Disneyland heralds new era for tourism

**THE** popular Walt Disney characters opened the doors to Hong Kong Disneyland, the fifth of its kind in the world, on September 12. Vice President Zeng Qinghong and Chief Executive Donald Tsang officiated at the opening ceremony together with top Disney executives, Board members and 2,000 guests.

The park comprises four differently themed areas: Tomorrowland, Fantasyland, Adventureland and Main Street, USA. Two Disney themed hotels — Hong Kong Disneyland Hotel and Disney Hollywood Hotel — provide some 1,000 rooms. The theme park is expected to become a major driving force for tourism growth in Hong Kong. Attendance of over 5.6 million is expected in the park's first year of operation.

The park will generate an estimated HK\$148 billion (US\$19 billion) boost to Hong Kong's economy over a 40-year period in terms of value added, such as employment income and profits for small and large companies.

The opening of Hong Kong Disneyland is the first of a number of major new attractions and initiatives to underpin Hong Kong's appeal and growth as a tourism destination.

In 2004, Hong Kong welcomed 21.8 million visitors, with arrivals expected to top 23.4 million in 2005. Total tourism receipts in 2004 amounted to a record HK\$91.8 billion (US\$11.8 billion). ◇

## Cultural project opened to multiple developers

**THE** single-development approach for the West Kowloon Cultural District (WKCD) project would be abolished and additional conditions introduced, according to Chief Secretary for Administration Rafael Hui.

Mr Hui said changing the parameters would open the development to more market participants.

A statutory trust fund will be established for operating the arts, cultural and other communal facilities in the district, and a statutory body will take over the project from the government. Additional development parameters will be introduced to reduce development density and ensure a balanced mix.

With the revised conditions, the main proponent can develop half the commercial and residential gross floor area, up to 61.77 acres, and carve out at least half the commercial and residential gross floor area. Other developers — but not the main proponent — can bid for the carved-out developments through competitive bidding.

The main proponent will be responsible for developing all the arts and cultural facilities and other communal facilities, and will need to pay US\$3.84 billion upfront to an independent trust fund. It is expected that fund will generate returns sufficient to support operation of the arts and cultural facilities, the canopy, other communal facilities and the independent body overseeing the district, as well as major overhauls of communal facilities.

To reduce development density and ensure a balanced development mix, the maximum plot ratio is set at 1.81. Approximately 30% of total gross floor area must be reserved for arts and cultural facilities, and the cap of residential development is set at 20% of total gross floor area.

After conducting detailed studies with financial advisers and other professional consultants, the HKSAR Government will turn the proposed parameters and conditions into specific requirements. It will initiate the statutory plan-amendment process with the Town Planning Board, allowing for public participation and inviting proponents to revise their proposals. It will table the Legislative Council bill in July for enactment by the end of 2006. The HKSAR Government aims to establish the new WKCD body in the first quarter of 2007. ◇

## Fifth Report on constitutional development published

**THE** Constitutional Development Task Force led by Chief Secretary for Administration Rafael Hui issued its Fifth Report on October 19, proposing methods for selecting the Chief Executive in 2007 and for forming the Legislative Council in 2008.

Mr Hui said the package of proposals aimed to broaden the electorate base and strengthen the democratic element in Hong Kong. The main thrust of the proposals is the enhanced level of participation of members of District Councils, district organisations representing community views, the Election Committee — for the election of the Chief Executive — and the Legislative Council.

For the next election of the Chief Executive in 2007, the report recommends increasing from 800 to 1,600 the number of members of the Election Committee, which will include all District Council members.

For the Legislative Council in 2008, the report proposes adding 10 new seats, with five returned through geographical constituencies and five through District Councils. This would see the District Council Functional Constituency increased from one seat to six, elected by District Council members from among themselves.

With these proposals, "half of the newly added members of the Election Committee and all the newly added Legislative Council seats will basically be directly or indirectly elected by over 3 million voters in Hong Kong through geographical constituencies," Mr Hui said. "They have a broad electorate and can greatly enhance the 'democratic representation' in the two electoral methods."

The proposed measures move Hong Kong's constitutional development toward the ultimate aim of universal suffrage. ◇



## Capital Investment Entrant & Travel Pass Schemes well received

**TILL** end of June 2005, the Capital Investment Entrant Scheme launched by the HKSAR Government has attracted 856 applications from investors. Topping the list of applications were foreign nationals from the Philippines and Indonesia.

The Scheme, launched in October 2003, aims to facilitate the entry for residence in Hong Kong by entrants who make capital investment in Hong Kong but would not be engaged in the running of any business in the territory.

The Scheme is applicable to foreign nationals; Macao Special Administrative Region residents; Chinese nationals who have obtained permanent resident status in a foreign country; stateless persons who have obtained permanent resident status in a foreign country with proven re-entry facilities; and Taiwan residents.

The entrant must be aged 18 or above when applying for entry under

the Scheme and has to be in possession of not less than HK\$6.5 million absolutely beneficially entitled net assets/equity throughout the two years preceding the date of lodging the application. The entrant should invest not less than HK\$6.5 million in either or both of the two permissible investment asset classes, namely real estate and specified financial assets (composing of equities, debt securities, certificates of deposits, subordinated debt and Eligible Collective Investment Schemes).

Till end of July 2005, the Immigration Department has approved 439 formal approval applications with a total investment of HK\$ 3.18 billion in Hong Kong, composing of HK\$ 2.11 billion in specified financial assets and HK\$ 1.07 billion in real estate.

Meanwhile, the Travel Pass Scheme implemented in January 1998 was also

well received, with Singapore ranking fourth in application submissions. The aim of the Scheme is to enhance the mobility of business travellers by facilitating bona fide frequent visitors to the HKSAR.

Application is open to frequent visitors holding valid passports and are eligible to visit the HKSAR without a visa or entry permit. Applicants should have genuine needs to visit the HKSAR frequently, and have come for visits trouble-free on three or more occasions (other than return from side trips to the Mainland of China or the region of Macao) in the 12-month period preceding the application, or can satisfy the Director of Immigration that their visits may bring substantial benefits to the HKSAR.

Application forms of the two schemes are available from the Hong Kong Immigration Department website <http://www.immd.gov.hk> ◇



### Comprehensive Agreement for Avoidance of Double Taxation signed with Thailand

**THE** Hong Kong/Thailand comprehensive agreement for the avoidance of double taxation (known as a CDTA) was signed by the Secretary for Financial Services and the Treasury Frederick Ma (left in picture), and the Thai Minister of Foreign Affairs Dr Kantathi Suphamongkon, in Bangkok on September 7.

This is the second CDTA concluded by the HKSAR Government with another economy and the first with a partner in the Asia Pacific region.

Subject to the completion of the necessary procedures for bringing the agreement into force by both sides, the agreement will take effect with respect to Hong Kong taxes earliest from April 1, 2006, and with respect to Thai taxes from January 1, 2006.

Through the allocation of taxing rights between the two places and the provision of tax relief in case of double taxation, the Agreement will ensure that investors will not have to pay tax twice on a single source of income.

The agreement will bring about tax savings to Thai and Hong Kong investors doing businesses in each other's jurisdiction. This will help promote investment and trade between the two places. ◇

## CEPA III expands tariff-free treatment

**ON** October 18, the HKSAR Government and the Central People's Government reached an agreement on liberalisation measures under the third phase of the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA III).

In essence, from January 1, 2006:

- all finished goods may be exported tariff free from Hong Kong direct to the Mainland;
- eligible service suppliers in nine existing CEPA sectors can enjoy greater benefits when exporting services to the Mainland; and
- further trade and investment facilitation measures are in place to enhance the flow of trade and investment between the two jurisdictions.



HKETO co-organised with the Hong Kong Trade Development Council the "CEPA Seminar: Your Springboard to China" on October 20 in Singapore. During the seminar, Deputy Director-General of Trade and Industry Clement Leung gave a presentation on the latest developments on CEPA, including the further liberalisation measures under CEPA III. The seminar was well attended by more than 280 guests comprising senior government officials, leaders of chambers of commerce and industry, business associations and senior business executives. Director, HKETO K K Lam pointed out the vast business opportunities available to Singapore companies as a result of the Pan Pearl River Delta Cooperation Forum in his welcoming remarks.

More information on CEPA can be obtained via <http://www.tid.gov.hk/english/cepa> ◇



# “A Symphony of Lights” recognised by Guinness World Records



"A Symphony of Lights" has been awarded the world's "Largest Permanent Light and Sound Show" by Guinness World Records, which represents an important international recognition for this project.

The accreditation was based on the existing 20 buildings jointly performing in a fully synchronised light and sound show along the waterfront of Hong Kong Island every night.

Speaking at "A Symphony of Lights" Guinness World Records Certificate presentation ceremony and the Phase II Government Buildings Light-up Ceremony on November 21, Financial Secretary Henry Tang (centre in picture) said that "A Symphony of Lights" truly demonstrated the remarkable synergy



of public-private partnership, that had made Hong Kong truly Asia's world city.

He added that this unprecedented joint venture was entirely voluntary and was put together by the Hong Kong spirit.

Head of Records Marco Frigatti was in Hong Kong to verify the record and presented the Guinness World Records Certificate to the Commissioner for Tourism Eva Cheng at the ceremony (see picture).

"A Symphony of Lights" had attracted over four million spectators since its launch in January 2004 and was very popular with both the locals and visitors. With the beginning of a new phase, the total number of performers on both sides of the harbour would increase from 20 to 33, including three Government buildings. ◇



**DIRECTOR**, HKETO K K Lam gave a talk entitled "Creative City: Hong Kong's Creative Industries" at the Institute of Policy Studies (IPS) Corporate Associates Breakfast on September 15 in Singapore. He talked about the policies and initiatives in place in Hong Kong to support creative industries, and how these would position Hong Kong as a creative hub in the Pan Pearl River Delta region. He also shared his views on how Hong Kong and Singapore could collaborate to become creative global cities. Picture shows Mr Lam receiving a memento from IPS Deputy Director Arun Mahizhnan after the talk. ◇



**TO** promote cultural exchanges between Hong Kong and Singapore, HKETO invited about 90 VIP guests to enjoy the Cantonese opera "A Sentimental Journey" featuring the famous actress Chan Po Chu on September 9.

Guests were also invited to meet CEO and Producer of the Spring-Time Group Ko Chi Sum at the pre-performance reception hosted by Director, HKETO K K Lam. The performance won enthusiastic reception and became a talking point for some weeks afterwards. ◇



## Hong Kong assumes active role in PPRD Cooperation

**SPEAKING** at an annual conference relating to the Pearl River Delta (PRD) on September 23, the Secretary for Constitutional Affairs Stephen Lam said that Hong Kong could assume an active role in four aspects in the course of establishing the Pan-PRD Cooperation framework, which involves the governments of nine provinces (Guangdong, Fujian, Jiangxi, Hunan, Sichuan, Guizhou, Yunnan, Guangxi Zhuang Nationality Autonomous Region and Hainan), and Hong Kong and Macao Special Administrative Regions within the Pan-PRD Region.

Firstly, participating in the planning and construction of infrastructural network. Secondly, assisting in raising capitals. Thirdly, using Hong Kong as a platform for the Mainland enterprises to access global markets. Fourthly, speeding up the implementation of the Closer Economic Partnership Arrangement under the Pan-



*The Secretary for Commerce, Industry and Technology John Tsang (right) and the Counsellor of the State Council and the former Secretary General of the Ministry of Science and Technology Shi Dinghuan officiate at the opening ceremony of a Joint Conference on Regional Co-operation in Science and Technology.*

PRD Cooperation framework.

Meanwhile, a strategic plan recommending measures to promote co-operation in innovation and technology in the Pan-PRD region was endorsed at a regional conference in Hong Kong on September 30.

Speaking at the conference opening ceremony, the Secretary for Commerce, Industry and Technology John Tsang said innovation and technology were the driving forces for sustainable economic growth and industry upgrading while the promotion of co-operation in innovation and technology was one of the essential elements in Pan-PRD regional co-operation.

In March 2006, the HKSAR Government will host a Pan-PRD Regional Cooperation Financial Services Forum to further explore cooperation opportunities in financial services within the Pan-PRD Region. ◇

## Hong Kong to boost logistics capabilities

**THE** Secretary for Economic Development and Labour Stephen Ip (middle right in picture) said that Hong Kong would continue to invest in both hardware and software to boost its logistics capabilities when he delivered a keynote speech at a luncheon to promote Hong Kong in Milan, Italy on September 21.

"To cope with fierce competition in the global market, we are making significant investments to enhance Hong Kong's physical connectivity with Mainland China, our logistics hinterland. We are putting in place world-class infrastructure and a facilitating regulatory regime to make the cross-boundary flow of goods faster and cheaper," he said.

"The completion of the new Hong Kong-Shenzhen Western Corridor in 2006 will more than triple the capacity for cross-boundary traffic. Preparatory work for the construction of the Hong Kong-Zhuhai-Macao Bridge is proceeding as a matter of priority. The bridge will greatly expand Hong Kong's cargo catchment area.



"Our airport is charting its medium-term development up to 2020. When fully developed, it will be able to handle 87 million passengers and 9 million tonnes of cargo per year," he continued.

Mr Ip also said that at the Hong Kong container port, 80 international lines operated 400 shipping calls per week to over 500 destinations globally, and the commercially-operated terminals boast a

record of 50 gate movements per crane per hour.

"On the aviation side, 70 airlines run 4,600 scheduled flights weekly to 140 destinations worldwide, including 40 in Mainland China. SuperTerminal 1, the world's largest standalone air cargo handling facility, offers a full chain of cargo handling services as well as documentation processing, ramp handling and pre-arrival clearance of import cargo," he added.

"Leveraging on our prime location and world-class transport infrastructure, Hong Kong has become a leading international logistics hub for both air and sea cargo," Mr Ip said. ◇

## Hong Kong economy expands briskly

**THE** Hong Kong economy turned out a spectacular performance in the third quarter of 2005. Following are some highlights:

- Gross Domestic Product (GDP) leapt by 8.2% in real terms, following a revised 7.3% growth in the preceding quarter.
- Merchandise exports continued to surge in the third quarter, by 12.8% in real terms over a year earlier. Exports of services also stayed strong, up by 8.2% in real terms in the third quarter.
- On the domestic front, private consumption expenditure re-accelerated to a solid 4.6% growth in real terms in the third quarter.
- Sanguine economic prospects and the vibrant business activity continued to spur machinery and equipment demand, which grew by 8.1% in the third quarter. Overall investment spending rose further in the third quarter, albeit modestly by 2.4% in real terms over a year earlier.

- The strength of economic expansion continued to be manifested in new job creation, with over 220,000 additional jobs created since the trough in 2003. Total employment rose to another new high in the three months ending October. The seasonally adjusted unemployment rate fell to 5.5% in the third quarter and further to a four-year low of 5.3% in August – October.
- The forecast GDP growth for 2005 as a whole is raised from 4.5-5.5% to 7% in the current round of forecast update.
- Consumer price inflation remained moderate, at 1.8% in October and averaging at only 1.0% for the first ten months as a whole. The forecast Composite CPI inflation for 2005 as a whole is revised slightly downward to 1.2% from the earlier forecast of 1.5%. As to the forecast rate of change in the GDP deflator, it is revised up by half of a percentage point to -0.5%, from the earlier forecast of -1%. ◇



## Hong Kong is ranked the world's freest economy again

**HONG KONG** has retained its top ranking in the Economic Freedom of the World, 2005 Annual Report. The report, in its 9<sup>th</sup> edition, is co-published by the Cato Institute in US, the Fraser Institute in Canada and more than 50 think tanks around the world.

Assessing five broad areas, analysts measure the degree to which policies and institutions support economic freedom. Not only was Hong Kong judged to be most free overall of the 127 nations ranked, the city was voted the best in the areas of freedom to trade internationally and regulation of credit, labour and business and rated as second in size of Government. ◇

## Hong Kong's capital market is the best in Asia

**US** independent economic think tank, the Milken Institute, has released its Capital Access Index 2005.

Started in 1998, the Index is a comprehensive analysis of the breadth, depth and vitality of capital markets around the world.

The ranking, this year covering 121 countries, is based on 50 measurements, from the strength of banking systems and the diversity and efficiency of financial markets to general economic conditions. Hong Kong ranked first in Asia and second in the world, after United Kingdom.

The resulting index is a sound measure of the accessibility of capital to entrepreneurs who can use it to grow and sustain companies and generate jobs. ◇

## Hong Kong remains key regional and global FDI destination

**HONG KONG** retained its position as Asia's second largest destination for foreign direct investment (FDI), according to the "World Investment Report 2005" released by the United Nations Conference on Trade and Development.

Hong Kong and the Mainland, again the largest FDI recipient in Asia, accounted for over two-thirds of FDI inflows in the region last year.

FDI flows to Hong Kong increased by 150% to US\$34.0 billion, the best investment growth rate among the economies in Asia. ◇

## Regional operations in Hong Kong reach all-time highs

**HONG KONG** remains a magnet for international companies to oversee their regional operations. Both the number of regional headquarters (RHQs) and regional offices (ROs) in Hong Kong again reached all-time highs in 2005. The number of local offices (LOs) operated by overseas and Mainland companies also recorded an increase to reach an all-time high. Hong Kong now is host to over 6,200 overseas and Mainland companies.

According to the Annual Survey of Regional Offices Representing Overseas Companies in Hong Kong, there were 1,167 companies that were regional headquarters and 2,631 companies that were regional offices in Hong Kong set up by their parent companies outside Hong Kong, as at June 1, 2005. The corresponding numbers as at June 1, 2004 were 1,098 and 2,511 respectively.

The United States topped the list of countries/territories with companies having RHQs in Hong Kong. A total of 262 American companies had RHQs in Hong Kong in 2005. This was followed by Japan and the United Kingdom.

The major lines of business of the RHQs in Hong Kong were wholesale, retail and import/export trades; business services; and transport and related services.

As in the case of RHQs, the US also topped the list of countries/territories with companies having ROs in Hong Kong. A total of 606 American companies had ROs in Hong Kong in 2005. This was followed by Japan and the United Kingdom.

The Mainland of China topped the list of countries/territories with companies having LOs in Hong Kong. A total of 443 Mainland companies had LOs in Hong Kong in 2005. This was followed by Japan and the United States.

The major lines of business of the ROs and the LOs in Hong Kong were wholesale, retail and import/export trades; business services; and finance and banking.

Among the factors affecting the choice of location for setting up RHQ/ROs and LOs, low and simple tax system was considered as the most important. Other important factors, in descending order of importance, included free flow of information; corruption free government; and absence of exchange controls. All these important factors were rated by over 60% of the companies to be favourable factors for Hong Kong as a location for setting up RHQ/ROs and LOs. ◇

## Tennis stars to compete in Hong Kong

**EIGHT** world-class female players will take part in the ladies tennis challenge organised by the Hong Kong Tennis Patrons Association in 2006. The event will be played over four days at the Victoria Park Tennis Stadium from January 4 to 7.

The tennis stars, namely World No.1 Lindsay Davenport, World No.2 Kim Clijsters, Wimbledon Champion Venus Williams, Australian Open Champion Serena Williams, World No. 8 Elena Dementieva, World No.15 Nicole Pietrangeli, World No.31 Sania Mirza and China National Games Champion, World No.44 Zheng Jie, will compete in a Singles and Doubles competition.

The event promises to deliver another thrilling world-class tournament for Hong Kong. It is the second biggest annual international sporting event in Hong Kong after the Rugby Sevens and Brand Hong Kong will be supporting it again.

Tournament Director Terry Catton commented, "Hong Kong has a reputation amongst tennis players for staging top class professional events. They enjoy the competition, and they love the city. The Tennis Patrons Association will continue to bring the best players to play in Hong Kong, both for the benefit of the city and for its fans." ◇

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