



New measures to keep economy booming

HENRY Tang, the Financial Secretary of the Hong Kong Special Administrative Region (HKSAR) revealed in the 2006-07 Budget that the HKSAR Government would restore fiscal balance in both the Operating and Consolidated Accounts for the first time in eight years — and three years ahead of schedule.

Mr Tang said strong economic performance from 2005 — with GDP growing by 7.3 per cent — coupled with Government's efforts to rein in expenditure would result in a HK\$5.8 billion operating surplus and a HK\$4.1 billion consolidated surplus for the 2005-06 financial year. Mr Tang also forecast a consolidated surplus of HK\$5.6 billion for 2006-07, rising to HK\$32.6 billion in 2010-11.

Mr Tang revealed the positive economic performance that underscored the strength of the recovery — creation of 240,000 new jobs over the past two years, record high employment of 3.43 million, unemployment at a four-year low of 5.2 per cent and a decrease of 36,000 in the number of long-term unemployed.

He forecast GDP growth of 4 – 5 per cent in 2006 and average consumer price inflation of 2.3 per cent for the year as a whole.

"The strong economic recovery in the past two years has indeed improved the overall mood in Hong Kong," said Mr Tang, delivering his third Budget on February 22.

"Last year, our nominal GDP surpassed its 1997 peak to reach a new high of HK\$1,382.2 billion. Hong Kong has now fully emerged from the Asian financial crisis and has regained its strength and vitality.

To help sustain the recovery, Mr Tang said the Government would continue its unique economic co-operation with the Mainland through effective implementation of the Closer Economic Partnership Arrangement with the Mainland and the Pan-Pearl River Delta Regional Co-operation Framework Agreement.

The Government would also focus on reinforcing Hong Kong's competitive advantages in its business environment, financial services, tourism and logistics; and on nurturing and attracting the best talent (please refer to P.6 for details).



FS Henry Tang (second from left) attends a panel discussion programme on the Budget.

An average of HK\$29 billion a year over the next five years would be earmarked for infrastructure projects. Some 14,000 new construction jobs would be created in the coming year.

Consultation on GST

On the Government's longer term effort to broaden the tax base, Mr Tang said widespread experience overseas had shown that a Goods and Services Tax (GST) could provide a revenue stream less sensitive to economic fluctuations. The HKSAR Government would launch a public consultation in the middle of this year which would last about nine months.

Donald Tsang, the Chief Executive of the HKSAR commended the 2006-07 Budget, saying it fully realised the principles of strong and people-based governance. ◇

ASEAN interlocutors briefed on Hong Kong's financial situation



K K Lam, Director, HKETO gave talks in Singapore, Bangkok, Kuala Lumpur and Ho Chi Minh City in February and March on the 2006-07 Budget speech delivered by Henry Tang, the Financial Secretary. At each venue, Mr Lam highlighted the four main themes, namely Recovery, Enhancement, Commitment and Sharing. He highlighted the HKSAR Government's measures to keep Hong Kong's strong economic revival on course, and explained how the Government promoted economic growth by investing vigorously in Hong Kong's future. The four 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 media. ◇



Pan-Pearl River Delta forums held in Hong Kong and Singapore



CE Donald Tsang (in bow-tie) and other officiating guests perform a switching-on ceremony at the PPRD Financial Services Forum.

MORE than 600 officials from the Pan-Pearl River Delta (PPRD) Region and the Central Government agencies, entrepreneurs and key players in the financial services sector gathered in Hong Kong on March 23 for a forum to promote regional co-operation in financial services.

Frederick Ma, the Secretary for Financial Services and the Treasury said the forum, with the theme of regional co-operation in financial services, was the first of its kind organised in Hong Kong. "The forum is to enable leaders and entrepreneurs from the PPRD Region to gain a better understanding of Hong Kong's financing and investment services, and encourage them to use Hong Kong as the capital formation and investment platform," Mr Ma said.

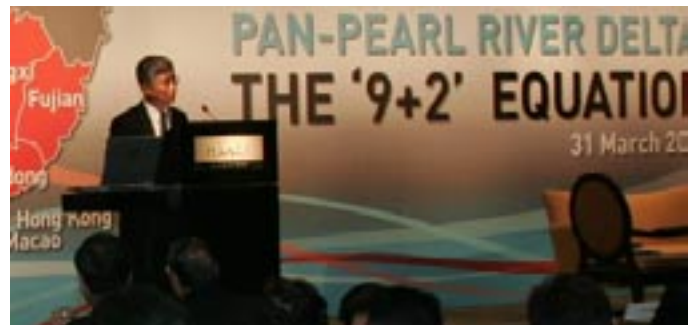
The forum featured more than 20 international financial services experts who shared their insights with participants during four panel discussions covering equity market financing, private equity investment, asset management and bond financing.

Singapore forum graced by Chinese Ambassador

In Singapore, HKETO held a forum on March 31 entitled "Pan-Pearl River Delta: The '9+2' Equation" to help the business community in Singapore better understand the economic implications and business opportunities arising from the PPRD region.

Zhang Yun, the Chinese Ambassador in Singapore was the guest of honour. The event was attended by more than 200 government officials, diplomats, leading businessmen, senior business executives, academics, analysts and media representatives. Some participants came from Malaysia, Thailand, Vietnam and Japan.

In his opening speech, K K Lam, Director, HKETO highlighted the distinct advantages of Hong Kong as a strategic gateway to



Chinese Ambassador in Singapore Zhang Yun speaks on the significance of the PPRD concept.

access the PPRD region. "Through this forum, we are glad to present to ASEAN investors and businessmen the opportunities for, and the benefits of accessing the huge China market through Hong Kong.

"Apart from the PPRD Regional Cooperation, they would benefit from the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA). ASEAN companies may set up manufacturing operations in Hong Kong to supply the Mainland market with a wide range of commodities free of import duties, as long as the products manufactured in Hong Kong meet the CEPA rules of origin."

Under the chairmanship of Professor Tan Kong Yam of Nan-yang Technological University, speakers from Hong Kong, the Mainland China and Singapore shared their insights at the forum. They included Professor John Wong of East Asian Institute; Professor Li Jiangfan of Sun Yat-sen University; and Mr David Lim, Vice-Chairman of the Singapore Association of Hong Kong. ◇

Malaysian businessmen updated on Hong Kong's investment environment



FREDERICK Ma, the Secretary for Financial Services and the Treasury updated Malaysia's investment community on Hong Kong's latest developments and favourable investment environment at a luncheon in Kuala Lumpur on January 9.

On his second official visit to Malaysia, Mr Ma highlighted to the potential investors Hong Kong's strengths and attractiveness as an international financial centre and a world-class asset management centre, particularly following the passage last year of a bill on abolition of estate duty, the introduction of the Capital Investment Entrant Scheme in October 2003 and the Government's legislative proposal to exempt offshore funds from profits tax.

Mr Ma noted that with the recent relaxation of controls on overseas investment in Malaysia, Hong Kong was in a good position to serve as the preferred asset management centre for Malaysian investment funds.

During Mr Ma's visit to Kuala Lumpur, he also met with, among others, Dato' Dr Ng Yen Yen, Malaysia's Deputy Finance Minister (see picture) and Tun Mohamed Dzaiddin, Chairman of Bursa Malaysia. ◇



AsiaWorld-Expo opens at airport

ASIAWORLD-EXPO, Hong Kong's largest exhibition and events complex located at the Hong Kong International Airport, was opened on December 21, 2005.

The HK\$2.35 billion state-of-the-art facility, which is one of the largest in the region, is designed to further enhance Hong Kong's position as a leading exhibition and events hub, and to give Hong Kong the opportunity to host world-class entertainment and special events with a truly regional reach. It will complement the existing first-rate facilities in the city.

The new centre is also one of the most conveniently located exhibition and events venues, and the only one in the



straight from the exhibition halls to the platform of the Airport Express train and connect to anywhere in Hong Kong served by the Mass Transit Railway. Through the comprehensive road network and cross boundary bus services, it is less than 90 minutes' reach from key cities in the fast growing Pearl River Delta Region, making it an extremely valuable business platform for Hong Kong, the Mainland China and the rest of the world.

world that combines full integration with a busy international airport and the service of an in-venue railway station. Visitors to AsiaWorld-Expo can literally walk

AsiaWorld-Expo has already established an impressive event calendar with more than 30 major international exhibitions and events scheduled for 2006. ◇



Asian Aerospace set for new future in Hong Kong

THE world's leading organiser of trade and consumer exhibitions Reed Exhibitions announced on February 15 that its flagship international aerospace industry event, Asian Aerospace, would move from Singapore to Hong Kong.

The move is in line with Hong Kong's continued expansion of its role as a major international gateway city for China and the greater Asia Pacific region, and the world class comprehensive infrastructure framework that it has developed.

Hong Kong's selection as the new venue for the event comes after a series of extensive studies and discussions with customers and various industry stakeholders by Reed Exhibitions to provide the choice location to ensure the continued and future success of Asian Aerospace.

Hong Kong is the perfect gateway to China market

Clive Richardson, Senior Vice President of Reed Exhibitions' Aerospace and Defence Group said, "Hong Kong is not only the perfect gateway to the Chinese market, it is a highly-connected aviation hub with direct access to other large emerging markets like India, Thailand and the Middle East."

The Asian Aerospace show next year will be positioned primarily as a trade event, to be held over four days from September 3-6, 2007 at the AsiaWorld-Expo complex. With the static aircraft display area being less than five minutes away, AsiaWorld-Expo serves as a one-stop centre for all Asian Aerospace's customers.

Mike Rowse, Chairman of AsiaWorld-Expo and Director-General of Investment Promotion at Invest Hong Kong said, "The addition of Asian Aerospace to Hong Kong's expanding calendar of international trade shows reaffirms our ambition to serve as a regional hub for exhibitions and a base for international and Mainland companies to manage their business operations in Asia. Hong Kong serves as a two-way platform for companies wishing to access the mainland of China, and for Mainland companies to launch themselves to the international marketplace. We are committed to maintaining our attractiveness to attract international trade shows such as Asian Aerospace. We look forward to seeing AsiaWorld-Expo becoming the regular and long-term venue for future Asian Aerospace shows." ◇



(From left) Associate Director-General of Investment Promotion John Rutherford, Megabite Hong Kong Managing Director Jenson Ong, Consul-General of Singapore Toh Hock Ghim, Swire Properties Director & General Manager Stephan Spurr, BreadTalk Group Managing Director George Quek, and International Enterprise Singapore Regional Director Nee Pai Chee officiate at the ribbon-cutting ceremony of Food Republic.

Singapore's Megabite opens "Food Republic" in Hong Kong

SINGAPORE-BASED food and beverage company Megabite announced on March 11 the official opening of its first 23,000 square feet food mall at Taikoo Shing, Hong Kong.

George Quek, Chairman of Megabite said, "We are excited about the opening of our first Food Republic Food Mall in Hong Kong. It is our strategy to recruit cuisine market leaders in China and well-known international brands in Southeast Asia to join our food malls. Hong Kong is renowned for the large variety of cuisines and restaurants, as well as the large population of food lovers. It is natural for us to open a branch here to strengthen our position in the regional catering market."

Mr Quek also serves as Group Managing Director of the famous Singaporean bakery BreadTalk, which currently operates bakeries in Hong Kong. He said the company had strong confidence in Hong Kong's food and catering market.

Megabite has invested more than HK\$12 million in the first Food Republic food mall in Hong Kong and has created an additional 260 jobs. The company plans to further expand in Hong Kong and in the region.

John Rutherford, Associate Director-General of Investment Promotion at Invest Hong Kong said, "This new investment from our long-term client, the BreakTalk group, is evidence of the potential they see in Hong Kong and we hope they will continue to introduce more food and catering brands to our market." ◇



Consultative committee on cultural district sets up

RAFAEL Hui, the Chief Secretary for Administration announced on February 21 the setting up of a consultative committee to confirm the need for core arts and cultural facilities in the West Kowloon Cultural District (WKCD) based on public views, as an important step to consolidate past efforts for taking forward the Cultural District in full speed.

Mr Hui stressed that public aspirations for developing the Cultural District were very clear, and that the Government's objective of developing an arts and cultural district in West

Kowloon remained unchanged.

The committee will seek to report to the Government on its findings in six months' time. After considering the committee's recommendations, the Government will then decide on the core arts and cultural elements in the WKCD and the mode of development to be adopted.

The Government will also implement a host of measures to improve the "cultural software" so as to allow the arts and cultural sector to thrive in a better environment. ◇



Launch of Discover Hong Kong 2006 in Manila.

Arrivals to Hong Kong hit record high of 23 million

VISITOR arrivals to Hong Kong grew to more than 23 million in 2005, an increase of 7.1 per cent compared with the previous year. This not only sets a new annual record, but also further builds on the exceptional performance that followed Hong Kong's full recovery from Sars in 2004.

Arrivals from South & Southeast Asia reached 2,412,974 in 2005, 16.1 per cent more than in the previous year, a new record that confirmed its position as Hong Kong's second largest regional source market, after Mainland China. Singapore (573,330, +23.6 per cent), Malaysia (392,047, +15.4 per cent), Thailand (380,412, +20.0 per cent), India (273,487, +11.9 per cent) and Indonesia (260,487, +12.1 per cent) achieved their best performances ever, while arrivals from the Philippines also grew strongly (391,049, +16.2 per cent).

In view of the continued largely positive global environment, the recent and forthcoming openings of several major tourism attractions and the launch of the 2006 Discover Hong Kong Year global campaign, Clara Chong, Hong Kong Tourism Board Executive Director (third from right in picture) said she was cautiously expecting tourism arrivals to further grow in 2006.

At a media briefing, Ms Chong said that by focusing on what differentiated Hong Kong from other destinations and creating new experiences for visitors, the 2006 Discover Hong Kong Year campaign would not only generate immediate visitor arrivals and spending, but also sustain the tourism industry's long-term development, providing the impetus for growth during the 2008 Beijing Olympics and the 2009 East Asian Games. Hong Kong has won the hosting rights for the latter.

"We expect 2006 Discover Hong Kong Year will boost visitor arrivals and spending, and generate multi-faceted opportunities across all businesses. It'll further elevate Hong Kong's standing as one of the world's leading travel destinations," she said. ◇

New cable car attraction opens in mid-2006

MID-2006 has been set as the opening date for Ngong Ping 360, Hong Kong's latest major tourism attraction.

The project combines a spectacular cable car journey to the Tian Tan Big Buddha on Lantau Island with a cultural themed village.

The latest milestone in the creation of the attraction has come with the delivery of the first of what will eventually be 112 cable car cabins.

The cabins, each capable of holding up to 17 passengers (10 sitting and seven standing), will enable up to 3,500 passengers per hour to be carried in each direction for the spectacular 20-25 minute journey.



The Ngong Ping Skyrail cable car journey travels 5.7 km between the Tung Chung and Ngong Ping Terminals. It will provide panoramic views of the Tian Tan Big Buddha, the flora and fauna of North Lantau Country Park, Tung Chung Bay and the Hong Kong International Airport.

Ngong Ping Village, adjacent to the Ngong Ping Skyrail Terminal, occupies a 1.5 hectare site and has been designed to reflect and maintain the cultural and spiritual integrity of the local area. As well as incorporating several major themed attractions such as Walking with Buddha, Monkey's Tale Theatre and the Ngong Ping Tea House, the village also boasts traditional Chinese architectural design features, plus shopping and dining experiences. ◇



Promotion of Asia's world city spotted at shopping malls

TO support the 2006 Discover Hong Kong Year campaign, HKETO co-organised a series of regional fairs with the Hong Kong Tourism Board and Cathay Pacific Airways to mark the launch of the event in Singapore, Bangkok, Manila and Kuala Lumpur in January and February.

HKETO participated in the launching ceremonies and set up a booth to promote Hong Kong as Asia's world city in fairs held at major shopping malls in the four cities. A range of HKSAR Government publications including the Basic Law pamphlets, Capital Investment Entrant Scheme publications, and Brand Hong Kong fact sheets and souvenirs, etc were made available for visitors to take away. Information on doing business and investing in Hong Kong was also given to enquirers.

Picture shows the HKETO booth at Siam Paragon, the largest shopping mall in Bangkok, puts the strengths of Hong Kong in the spotlight. ◇



Lunar New Year celebrations



(From left) Chinese Ambassador in Singapore Zhang Yun, Kowloon Club President Chung Ting-fai, Legislative Councillor the Hon Lau Chin Shek, and Director, HKETO K K Lam have a toast at the Kowloon Club Spring Dinner.

HKETO co-organised a series of spring dinners with the Hong Kong Tourism Board and Cathay Pacific Airways in Singapore, Kuala Lumpur, Bangkok and Manila to celebrate the arrival of the Year of the Dog. K K Lam, Director, HKETO highlighted the popularity of the theme parks in Hong Kong and mentioned that AsiaWorld-Expo would help Hong Kong to become a MICE capital.

As in previous years, HKETO hosted a spring dinner for the APEC Secretariat in Singapore to foster closer ties. In his welcome speech, Mr Lam remarked that the WTO MC6 trade talks in Hong Kong had a successful outcome. He also wished Vietnam every success in hosting APEC this year.

HKETO also organised a spring reception at the office to network with about 50 guests. At the function, the guests watched with interest the screening of Donald Tsang, the Chief Executive's Chinese New Year message.

At the annual Spring Dinner organised by the Kowloon Club in Singapore, Mr Lam commended the organisation for its mission to promote mutual understanding between Hong Kong and Singapore people, and solicited the support of the club to help promote the SAR to the city state. ◇



PROFESSOR Poon Chung Kwong, President of The Hong Kong Polytechnic University (HKPU) visited Singapore on January 21 to officiate at the inauguration ceremony of the HKPU Association, Singapore.

During the inauguration dinner, K K Lam, Director, HKETO delivered a speech to congratulate the establishment of the association and solicited support of the Association to join hands with HKETO to promote Hong Kong to Singapore. ◇



TO promote cultural exchanges between Hong Kong and Singapore, HKETO invited about 90 VIP guests to enjoy the avant-garde Beijing opera "The Outcast General" staged by Zuni Icosahedron at the annual Huayi Festival held at the Esplanade on February 3 and 4. Guests were invited to meet Mathias Woo, the group's Creative Director at the pre-performance reception hosted by HKETO. Picture shows K K Lam, Director, HKETO talking to Professor Zhou Long, First Class National Actor, one of the directors of the show. Looking on was Doris Kan, Zuni Icosahedron General Manager. ◇



New scheme to attract quality migrants

HONG KONG will introduce in the first half of 2006 the Quality Migrant Admission Scheme (QMAS), which is aimed at attracting talented people from the Mainland China and overseas to settle in Hong Kong.

Ambrose Lee, the Secretary for Security said the new scheme would be launched by June this year to attract quality personnel from all over the world. "We are targeting at people that Hong Kong needs and will help our long-term development," Mr Lee said.

An initial annual quota of 1,000 is set. Applicants are required to fulfil a set of "must-meet" requirements before they may apply under the scheme. These requirements are:

- (a) Age: Applicants must be aged between 18 and 50 when lodging an application under QMAS;
- (b) Financial Requirement: Applicants must be able to demonstrate that they are capable of supporting and accommodating themselves and their dependants, if any, on their own without relying on public assistance during their stay in Hong Kong;
- (c) Good Character: Applicants must meet normal immigration and security requirements. They should not have any criminal or adverse immigration record in Hong Kong and elsewhere;
- (d) Language Proficiency: Applicants must be proficient in Chinese (Putonghua or Cantonese) or English;
- (e) Basic Educational Qualification: Applicants must have a good education background, normally a first degree supported by documentary evidence. In special circumstances, good technical qualifications, proven professional abilities and/or experience and achievements supported by documentary evidence may be considered.

Under the new scheme, QMAS immigrants will be allowed an initial stay of one year. At the end of the first 12-month period, the QMAS immigrants should be able to demonstrate that they had taken steps to settle in Hong Kong by taking up residence here, e.g. by securing gainful employment or establishing a business.

They may be permitted to bring in their dependants provided that they are capable of supporting and accommodating their dependants on their own without relying on public assistance in Hong Kong. ◇

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CE Donald Tsang is presented with a copy of the Heritage Foundation's 2006 Index of Economic Freedom from its President Dr Edwin Feulner.



Hong Kong: world's freest economy

HONG KONG continues to be the freest economy in the world for the 12th consecutive year; that is every year since the Index of Economic Freedom was first published in 1995.

Produced by the Heritage Foundation, an influential think-tank based in Washington DC, in conjunction with the Wall Street Journal, the study measures how well 157 economies score on a list of 50 independent variables grouped into 10 broad factors of economic freedom.

Hong Kong was ranked first in six broad factors, namely trade, monetary policy, foreign investment, banking finance, property rights, and regulation.

Overall winner "Asian City of the Future"

Hong Kong was selected as the Overall Winner "Asian City of the Future 2005/6" in competition with more than 60 entries organised by the fDi magazine, which is part of the Financial Times Business group.

Hong Kong was the winner of four of the seven categories, namely Best Transport, Best IT & Telecommunications, Best Quality of Life, and Best FDI potential. Hong Kong was also the runner-up in the Best Human Resources category.

Positive currency rating outlooks

Standard & Poor's (S&P's) has recently upgraded its foreign currency and local currency rating outlooks on Hong Kong from "stable" to "positive". At the same time, S&P affirmed Hong Kong's long-term foreign currency and long-term local currency ratings at "AA-".

S&P also noted that an upgrade of the ratings on China, together with continued fiscal consolidation in Hong Kong, could lead to higher ratings on Hong Kong. ◇

Countdown to ITU Telecom World

HONG KONG is well into the organisation of ITU Telecom World, the world's most prominent global telecommunications gathering.

Running from December 4-8, 2006, at the AsiaWorld-Expo facility, this will be the first time the event will be held outside Geneva, Switzerland since its inception in 1971.

ITU Telecom World brings together the world's leading top-level telecoms players from the public and private sectors, heads of state, government ministers, regulators and CEOs of multinational corporations. ITU Telecom World 2006 is expected to attract more than 100,000 overseas visitors to Hong Kong. ◇