



Visits to Singapore strengthen mutual understanding

DONALD TSANG, the Chief Executive of the Hong Kong Special Administrative Region paid his first official visit in his present capacity to Singapore from July 15 to 17. Following that, **Henry Tang**, the Financial Secretary; **Joseph W P Wong**, the Secretary for Commerce, Industry and Technology; **Ambrose Lee**, the Secretary for Security; and **Mike Rowse**, Director-General of Investment Promotion also visited Singapore.

CE meets top echelon

During Mr Tsang's stay in Singapore, he called on Lee Hsien Loong, Prime Minister (see main picture); Goh Chok Tong, Senior Minister; and Lee Kuan Yew, Minister Mentor. He also briefed Singapore's business leaders on Hong Kong's economic situation and improving business environment.

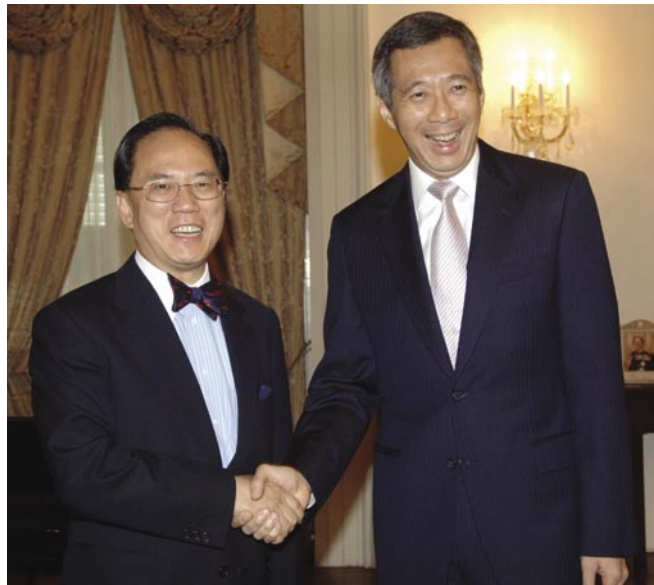
Mr Tsang said that Hong Kong could learn a lot from Singapore. He remarked that he was deeply impressed by the country's efficiency in promoting and implementing policies and projects, and its long-term plan on nurturing political talents. Its move to boost its role as an education hub by drawing talented secondary and primary students from the region was also inspiring, he added.

Noting Hong Kong had its advantages and special features, Mr Tsang said he would not copy Singaporean policies direct, adding that it was important Hong Kong was not complacent and conservative.

Official calls boost Singapore-Hong Kong ties

When the 2006 Annual Meetings of the International Monetary Fund and the World Bank Group was held in Singapore in September, Henry Tang came to attend its plenary session. He also took the opportunity to meet with finance ministers and central bankers of other economies to exchange views on global and regional economic development, and to update them on Hong Kong's latest economic developments.

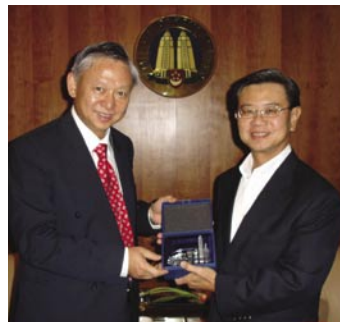
Joseph W P Wong and Ambrose Lee visited Singapore in early September and mid-August respectively to call on their counterparts to discuss issues of mutual interest. Mr Wong also visited Singapore's research and development facilities and some leading information and communication technology companies to learn about the latest developments. Mr Lee, on the other hand, inspected Singapore's passenger and vehicle clearance systems at its border with Malaysia. He also visited the Singapore Civil Defence Force and



the Singapore National Security Co-ordination Secretariat.

Upon the invitation of the National University of Singapore Business School Alumni Association, Mike Rowse came to Singapore in August to talk about Hong Kong's economy since 1997 and the impact of the Closer Economic Partnership Arrangement on Hong Kong and Singapore.

Legislative Councillors from the Panel on Food Safety and Environmental Hygiene and the Panel on Health Services visited Singapore in late July to study first-hand on a range of subjects. ◇



(Upper left picture) Ambrose Lee, Secretary for Security, HKSAR (left) and Wong Kan Seng, Deputy Prime Minister and Minister for Home Affairs, Singapore. (Upper right picture) Joseph W P Wong, Secretary for Commerce, Industry and Technology, HKSAR (right) and Lim Hng Kiang, Minister for Trade and Industry, Singapore. (Lower picture) Henry Tang, Financial Secretary, HKSAR (left) and Tharman Shanmugaratnam, Minister for Education and Second Minister for Finance, Singapore.



CE advocates co-operation between PPRD and ASEAN

DONALD TSANG, the Chief Executive said the Government would continue to make use of its strengths in financial services, tourism, logistics, economic and trade and professional services, as well as its international experience and network, to promote regional development in collaboration with the Pan-Pearl River Delta (PPRD) provinces/regions.

He made the above remarks on June 6 in Kunming, Yunnan Province at the Third PPRD Regional Co-operation and Development Forum.

"Hong Kong will also take forward its work in line with the Eleventh National 11th Five-year Plan, in taking forward regional co-operation and serve as a bridge to strengthen economic and trade links between the PPRD Region and ASEAN countries," he said.

Mr Tsang also took part in a dialogue between PPRD leaders and ASEAN countries on the same day, during which he spoke on the establishment of co-operation between the "9+2" and the 10 ASEAN countries in the area of economics and trade.

On promoting co-operation between PPRD Region and ASEAN countries, Mr Tsang said that Hong Kong had established extensive economic and trade connections and transportation links with ASEAN countries. Hong Kong can serve as a bridge connecting the PPRD Region with ASEAN countries in the area of commerce and trade. It can assist ASEAN enterprises to invest in the PPRD Region with its profound experience in interacting with the Mainland. Hong Kong can also assist enterprises in the PPRD Region to explore business opportunities in ASEAN countries and provide a platform for PPRD enterprises to establish themselves in ASEAN markets. ◇

QDII enhances Hong Kong's role

AT Easter, the People's Bank of China (PBoC) announced measures, commonly known as qualified domestic institutional investor (QDII), to relax foreign exchange controls to facilitate overseas investment by qualified banks, fund management companies and insurance institutions. The PBoC, the China Banking Regulatory Commission and the State Administration of Foreign Exchange have posted the provisional rules permitting qualified banks to apply for quotas to convert Renminbi into other currencies for investments in overseas securities markets.

Frederick Ma, the Secretary for Financial Services and the Treasury said the new measures announced under the QDII scheme would enhance Hong Kong's position as an international financial centre and asset-management centre.

"As far as I see, these measures will, in the long run, further enhance Hong Kong's position as an international financial centre and asset-management centre.

"Regardless of the amount involved at the start, what's most important is that the new measures will broaden the channels for overseas investments of the vast funds in the Mainland. This is expected to have far-reaching and positive effects on our financial markets." ◇

More CEPA benefits announced

ON June 29, further liberalisation measures under the Closer Economic Partnership Arrangement (CEPA) were announced. This latest and fourth round of the CEPA benefits covers two broad areas:

- (1) With effect from January 1, 2007, market access to 10 service areas in the Mainland already included in the CEPA will be relaxed further. Sectors involved are: legal, construction, information technology, convention and exhibition, audio-visual, distribution, tourism, air transport and road transport services and individually owned stores. In other words, Hong Kong companies, including those owned by overseas enterprises, are eligible for preferential market access in a total of 27 sectors.
- (2) With immediate effect, trade and investment facilitation measures will be extended to include protection of intellectual property. Hong Kong and the Mainland have agreed to strengthen co-operation in the area of intellectual property protection. A key feature will be the establishment of an Intellectual Property Protection Co-ordination Centre in Hong Kong. The Centre will facilitate the exchange of information relating to the formulation and implementation of intellectual property laws and regulations. ◇



Hong Kong takes part in APEC Finance Ministers' Meeting

FREDERICK MA, the Secretary for Financial Services and the Treasury (middle in back row) took part in the Finance Ministers' Meeting of the Asia-Pacific Economic Co-operation (APEC) which opened in Hanoi, Vietnam on September 7.

The themes of this year's meeting are "Promoting Public Finance Efficiency and Sustainability: Towards Stable and Efficient Revenue Sources" and "Financial Sector Reform to Attract Capital Flows".

The finance ministers exchanged views on the maintenance of fiscal stability. They also had a discussion with and sought the views of the APEC Business Advisory Council on a range of issues including market liberalisation, reforms to capital markets and promoting market stability.

There was also a plenary session during which the finance ministers focused on the global and regional macroeconomic and financial challenges. ◇



GST proposed to broaden Hong Kong's tax base

THE HKSAR Government issued in July a consultation document outlining proposed reforms to the current tax system in Hong Kong. Having considered a range of options to broaden the tax base, the Government has concluded that reform via the introduction of a Goods and Services Tax (GST) is the preferred option for consideration.

Henry Tang, the Financial Secretary said the proposed reforms to the tax system were necessary to ensure Hong Kong's future prosperity. "For many years we have been overly reliant on a limited number of widely fluctuating, cyclical sources of revenue," Mr Tang said. "The introduction of a GST is a viable option for Hong Kong. This would secure the long-term sustainability of our revenue base and our capacity to meet public expenditure needs.

"I want to emphasise that the Government has no intention of altering Hong Kong's envied position as a low-tax environment."

However, he said the Government was acutely aware of the potential concerns of the community over the introduction of a GST, particularly the likely impact on the economy and on low-income households.

Hong Kong's tax base is very narrow by international standards, comprising a limited range of taxes and non-tax income to support public expenditure. Additionally, income from these sources fluctuates significantly with economic conditions, thus greatly constraining the Government's ability to make long-term plans and investment decisions.

Mr Tang said, "Hong Kong needs to respond to this challenge by identifying new sources of secure, steady income from a broader and growing tax base. A broader tax base would also give us room to cut our Salaries and Profits Tax rates sustainably, thereby further enhancing our attractiveness to internationally mobile talents and capital. ◇

Taxation arrangement signed between Hong Kong and Mainland China

IN late August, the Central People's Government and the HKSAR Government signed a comprehensive arrangement for the avoidance of double taxation.

It replaces the limited scope arrangement for the avoidance of double taxation that has been in place in 1998. The new rules will provide more certainty in tax liabilities and some tax savings to investors and tax payers in both jurisdictions. It will also provide another reason for international investors to enter the Mainland market through Hong Kong.

Subject to formalities, the new arrangement will come into effect next year, on 1 January 2007 in the Mainland and 1 April 2007 for Hong Kong. ◇

Construction delegation visited the Philippines & Cambodia

IN mid-June, HKETO helped the Environment, Transport and Works Bureau to organise a high level delegation of the construction industry of Hong Kong and Mainland on a five-day study tour in the Philippines and Cambodia, to explore collaboration opportunities with local construction industry players.

Led by Lo Yiu Ching, Permanent Secretary for the Environment, Transport and Works (Works), the delegation comprised 28 senior executives and professionals from 24 reputable enterprises and organisations, covering a wide range of businesses including real estate development, construction services and professional services.

While in Manila, the delegation attended a joint briefing by officials on trade and industry, construction and investment in the Philippines. The delegation then visited the Bonifacio Global City and the Mall of Asia. The former is a new section in the heart of Makati, the financial district of the capital city.

Mr Lo delivered a keynote speech at an evening reception attended by senior Philippines officials, leading members of the construction, banking, commercial, legal and academic sectors.

The delegation paid a visit to the Asian Development Bank Headquarters and a courtesy call to Manuel Gaité, Deputy Executive Secretary for Legal Affairs, and Leandro Mendoza, Secretary, Department of Transportation and Communications.

In Cambodia, the delegation called on Sun Chanthol, the Minister of Public Works and Transport, and Cham Prasidh, the Senior Minister of Commerce. Mr Lo gave another keynote speech at a dinner reception in Phnom Penh.

The delegation visited the Chinese embassies in both countries and was warmly received by Li Jinjun and Zhang Jinfeng, the Chinese Ambassador

in the Philippines and Cambodia respectively.

Mr Lo said that Hong Kong had all along been maintaining close relationship with the Philippines and Cambodia in trade and investment and the Philippines market had always been rated high by Hong Kong and Mainland enterprises.

"With rapid growth of the economy in the Philippines and Cambodia, there is strong demand for infrastructure and related facilities, unleashing tremendous opportunities for developers, contractors and consultants. The infrastructure sector is one of the areas which we can strengthen collaboration among the Philippines, Cambodia, Mainland and Hong Kong," he added. ◇



The construction delegation, led by Lo Yiu Ching, Permanent Secretary for the Environment, Transport and Works (Works) (fourth from left in front row), pictured with Ambassador Li Jinjun (fifth from left in front row) in front of the Chinese Embassy in the Philippines.



Hong Kong backs Margaret Chan's WHO bid

DONALD TSANG, the Chief Executive said Hong Kong would back Margaret Chan's bid for the post of Director-General of the World Health Organisation, adding if elected, she would lead the organisation into a new era of international cooperation.

Mr Tsang discussed on July 31 with Dr Chan at Government House how the Government could complement the Central Government's efforts to support her election campaign.

Mr Tsang then hosted a reception to introduce Dr Chan to the consular corps in the city. Twelve representatives from the 34 countries on the Executive Board of the WHO were present.

"Margaret is most eminently suitable for the job because she is an outstanding public health professional with a strong sense of responsibility and solid professional and academic background: first-hand experience in handling infectious disease prevention and control; her full understanding of the operation and challenges



of the WHO; and more importantly her illustrious record of achievement in terms of influenza pandemic preparedness during the past three years in WHO," Mr Tsang said.

Dr Chan said she was deeply honored by the trust the Central Government placed in her.

"In these times of great change in global health, leadership of the WHO

demands vision, integrity, political skills, technical knowledge and managerial excellence. The new Director-General of WHO will have a crucial role in ensuring that the Organisation's work supports the member states' efforts in reducing poverty, promoting health and preventing diseases and suffering, especially in the developing countries," said Dr Chan.

She said she was confident her 28 years of experience in public health amassed in Hong Kong and in WHO had prepared her for the upcoming challenge. ◇

Gearing up for 2008 Olympic equestrian events

WITH two years to go before the 2008 Olympics, works are progressing well on facilities for the equestrian events to be held in Hong Kong. Work started in August on the main stables and supporting training facilities at Penfold Park, a popular recreation area located in the middle of Sha Tin Racecourse.

Two training areas for show jumping and dressage – one grass and one sand – have already been completed at the Hong Kong Sports Institute (HKSI), which adjoins the Sha Tin Racecourse. The HKSI will house the main competition arena – with seating for about 19,000 – as well as more than 10 training grounds for show jumping and dressage, more than 200 stables, and offices for event management officials. The Hong Kong Jockey Club (HKJC), the venue provider for the 2008 Olympic equestrian events, has committed to provide between HK\$700 million and \$800 million (approx US\$90 – US\$100 million) to construct all venues for the equestrian competition.

The cross-country section of the Three-Day Event will be held at the Hong Kong Golf Club and adjoining Beas River Country Club in Fanling, in the northern part of the HKSAR. All major facilities,

including a 5,700-metre cross-country course, will be ready by August next year – a year ahead of the Olympic competition – so trial events can be held in comparable weather conditions.

The International Olympic Committee (IOC) announced in July 2005 its approval for Hong Kong to stage the 2008 Olympic and Paralympic Equestrian Events. In mid-August, a delegation of the IOC visited Hong Kong for two days to learn about Hong Kong's preparation for the event. "We are impressed by the overall progress on planning and building the facilities for the 2008 Beijing Games Equestrian Events," Hein Verbruggen, its Co-ordination Commission Chairman said.

On veterinary and quarantine services, Catrin Norinder, a member of the delegation, who represents the International Equestrian Federation (FEI), spoke highly of the professional arrangements carried out by government agencies. "The sport of equestrian is a game involving the athletes as well as horses and keeping a healthy and safe competition environment for both of them is vital. I have full confidence in the plans made in Hong Kong in this aspect," she said. ◇

Asia's first wetland park opens



HONG KONG'S first major ecotourism attraction, the Hong Kong Wetland Park (HKWP), opened for business on May 19.

Located at the northern part of Tin Shui Wai, HKWP is the first major green tourism facility in Hong Kong. It aims to promote green tourism and education on environmental protection, as well as wetland conservation. The park comprises a 10,000 square metre indoor "Wetland Interactive World", and wetland reserve of more than 60 hectares. HKWP is the first of its kind in Asia.

New cable car attraction welcomes visitors

Another major tourism attraction in Hong Kong, Ngong Ping 360 was officially opened on September 18.

The Ngong Ping Skyrail cable car travels 5.7 km between the Tung Chung and Ngong Ping Terminals. It provides 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. ◇



HKETO launches inaugural Hong Kong Film Festival

HKETO launched on September 22 the inaugural Hong Kong Film Festival in Singapore, featuring nine Hong Kong films over four days.

The event began with the gala premiere of Hong Kong's latest action comedy, "Rob-B-Hood", directed by Benny Chan (right in picture), who made a special appearance at the festival's opening reception to introduce his production and to promote Hong Kong's film industry.

K K Lam, Director, HKETO said at the opening reception that he hoped the festival would provide an opportunity to showcase Hong Kong's vibrancy and flair for creativity, at a time when Singapore and Hong Kong are placing strong emphasis on nurturing creativity.

"The film festival also forms part of the programme to commemorate the 10th anniversary of the establishment of the HKETO in Singapore," Mr Lam said. "We have seen Singapore and Hong Kong getting closer, economically and socially, in an era of globalisation. I am confident that this partnership will prosper for many decades to come," he added.

Also officiating at the opening of the festival was Lorna Wong, Commissioner for Television and Entertainment Licensing (middle



(Photo: Ang Tuan Kiat)

in picture). She pointed out that the HKSAR Government attached great importance to maintaining a thriving film industry in Hong Kong.

"To this end, we have introduced a package of measures to promote the further development of the film industry. These include a firm commitment to the protection of intellectual property, promotion of Hong Kong films in overseas markets, training of film workers, promoting Hong Kong as a choice filming location to overseas film producers

and encouraging film financing," Ms Wong said.

"The Closer Economic Partnership Arrangement (CEPA) between Hong Kong and Mainland China has also opened up enormous opportunities for Hong Kong-based film-makers to co-produce with their Mainland counterparts. The premiere film 'Rob-B-Hood' is a good example of Hong Kong-Mainland co-production. We stand ready to collaborate with our Singaporean counterparts in co-production initiatives, capitalising on Hong Kong's advantages under CEPA for the China market, and making use of Hong Kong's film talents," she said. ◇



(Photo: Kowloon Club)

HKETO continues its sponsorship for the Kowloon Club in Singapore to participate in sports events featuring athletes from different countries. Members of the Kowloon Club team clad in Brand Hong Kong uniform had lots of fun at the Singapore Dragon Boat Festival 2006 on July 1 and 2.

This annual events provides Hong Kong families in Singapore with a platform for stronger bonding with each other. ◇



HKETO sponsored the 2006 Golf Challenge event organised by the Kowloon Club on August 10. About 80 business leaders and executives participated in the competition and joined for networking. K K Lam, Director, HKETO delivered a speech at the awards ceremony dinner and presented the HKETO Cup to the winner. ◇

AS part of its efforts to promote cultural exchanges between Hong Kong and Singapore, HKETO invited 80 VIP guests to a performance by the Hong Kong Children's Symphony Orchestra, led by Dr Yip Wai Hong (second from left in picture) at the Nanyang Academy of Fine Arts on July 22. Guests also met Dr Yip and the orchestra members at the post-performance reception hosted by K K Lam, Director, HKETO. The performance won enthusiastic applause. Audience was impressed by the performance of famous contemporary Chinese works as well as by the talents of young players, including the soloists in piano and violin. ◇



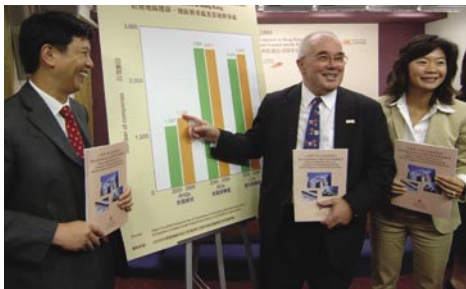


Hong Kong attracts even more regional operations

HONG KONG continues to be the preferred base for international companies to over-see their regional operations. The number of regional operations and local offices (LOs) in Hong Kong operated by overseas and Mainland companies reached its highest-ever level this year.

There were 1,228 regional headquarters (RHQs), 2,617 regional offices (ROs) and 2,509 LOs in Hong Kong representing their parent companies located outside Hong Kong as at June 1, according to an annual government survey.

Mike Rowse, the Director-General of Investment Promotion at Invest Hong Kong, (middle in picture) said: "With the increased number of regional operations during the past year, Hong Kong now is host to over 6,300 overseas and Mainland companies. We are pleased with the overall



results, which show that international businesses continue to prefer managing their regional operations from Hong Kong.

"In line with the trend observed in recent years, the report indicates that investors from traditional markets, including the US, Japan and the UK, continue to see Hong Kong as the key strategic location to manage regional businesses. At the same time, Mainland companies continue to be the largest source of local offices in Hong Kong.

"The results demonstrate that Hong Kong's traditional advantages – including a low and simple tax system, free flow of information, corruption free government and absence of exchange controls – are the most important reasons for investors choosing Hong Kong for the location of their regional operations. However, we cannot be complacent. We are well aware of the keen competition for investment in the region, and the need to continue to improve the business environment in Hong Kong to retain our leading position," he added. ◇

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Hong Kong tops free economy list – again

HONG KONG once again ranks as the world's freest economy, according to the Economic Freedom of the World, 2006 Annual Report released in September. The CATO Institute of the United States published this report in conjunction with the Fraser Institute of Canada and 60 other global research institutes.

Hong Kong's overall score was 8.7. Apart from ranking first in economic freedom, Hong Kong ranks first in "freedom to trade internationally" and second in "size of government", "regulation of credit, labour and business" and "labour market regulations".

Rating agencies give Hong Kong "thumbs up"

In the same month, Moody's upgraded Hong Kong's long-term foreign currency rating to "Aa3" from "A1", with "Positive" outlook. It also upgraded Hong Kong's foreign-currency bank deposit ceiling from "A1" to "Aa3", with "Positive" outlook.

Moody's attributed the upgrade to Hong Kong's strong financial position and large positive international investment position, showing that Hong Kong now had a degree of resilience to any potential shocks emanating from the Mainland. In addition, Moody's noted that the large foreign assets held by Hong Kong residents could help Hong Kong weather potential economic or financial shocks. Moody's also stated that the upgrade was prompted by its belief that the foreign currency bond rating should be in line with local currency bond rating.

Japan's Rating and Investment Information Inc. (R&I) in August upgraded Hong Kong's long-term foreign currency rating to "AA" from "AA-", with stable outlook. At the same time, R&I affirmed Hong Kong's local currency rating at "AA", with stable outlook.

R&I attributed the rating upgrade to Hong Kong's strong and broad-based economic growth, the return of budget surplus, the authorities' efforts to stabilise tax revenue, and large net external creditor position.

Standard & Poor's (S&P's) in July decided to upgrade its foreign and local currency ratings on Hong Kong to "AA" from "AA-", with stable outlooks. This is the highest rating that S&P has ever assigned to Hong Kong.

S&P attributed the ratings upgrade to Hong Kong's strong economic fundamentals, the Government's exceptional financial position, and large net external creditor position. S&P also said that the upgrade in Hong Kong's foreign and local currency ratings was linked to the upgrade of China's foreign and local currency ratings to "A" from "A-", pointing out that the improved credit fundamentals of China has reduced the likelihood of potential negative developments in China spilling over to Hong Kong.

Ease of doing business improves

Hong Kong is the fifth easiest place to do business in the world, according to the latest ranking of 175 economies by the World Bank.

Hong Kong's placing, up from sixth last year, reflects improvements in several areas, in particular dealing with licenses and registering properties.

Hong Kong tops Asia in global competitiveness ranking

Hong Kong tops Asia and has retained its second position in the 2006 World Competitiveness Yearbook which reviews the competitiveness of 61 national and regional economies. Not only did Hong Kong remain in second place globally, the city has narrowed the gap with the top-ranked US.

The ranking is based on 312 criteria covering four areas. Hong Kong came first in two of the four areas: business efficiency and government efficiency. ◇