



# HONG KONG UPDATE

Hong Kong Economic and Trade Office • Toronto  
March 2002 Issue

## Visionary Budget Unveiled

**The Financial Secretary, Mr Antony Leung, in his 2002-03 Budget released on March 6, set out his vision for Hong Kong's economic development and proposed measures to restore fiscal balance by 2006-07.**

Mr Leung revealed in the Budget that Hong Kong's economy grew by 0.1% in 2001 and was forecast to grow by 1% in 2002, both in real terms. A trend growth rate of 3% in real terms was predicted in the medium term (from 2002 to 2006).

Consumer prices fell by 1.6% in 2001 and were forecast to decline by 2.8% in 2002.

The Budget set a target of restoring fiscal balance and reducing public expenditure to 20% of GDP or less by 2006-07.

Mr Leung said that, under the present economic conditions, we must contain public expenditure. He considered it inappropriate to make any major changes on the revenue front in 2002-03. Therefore, he plans to adopt some modest, non-livelihood-related revenue proposals by increasing the duty rate on wine from 60% to 80% (on ex-factory price) and reducing the amount of duty free cigarettes and wine allowed to be brought into Hong Kong by residents.

As there will be annual budget deficits from 2002-03 to 2006-07, the government needs to consider increasing recurrent revenue. The Budget has only proposed the introduction of a Boundary Facilities Improvement Tax in 2003-04. Mr Leung said Hong Kong had to capitalize on its strengths and needed to focus on high-added-value economic activities to move up the value chain. He believed four economic sectors could foster further economic development and create jobs: financial services, logistics, tourism and producer and professional services.

He said Hong Kong's financial

market needs to concentrate on two important areas:

- **Increasing the liquidity of its financial market through joint efforts of the Government and the sector to attract more financial product issuers, as well as capital and investors from the Mainland and overseas. The Government is streamlining procedures and lowering associated costs to encourage the development of the market and the introduction of new products;**
- **Continuing to modernise Hong Kong's market system and making it more user-friendly through regular reviews. The Securities and Futures Bill, which is in its final legislative stage, will introduce a series of measures to streamline the licensing system, increase market transparency, promote a level playing field and facilitate product innovation.**

On logistics, the Financial Secretary said Hong Kong should focus on speed and efficiency, and expansion of its cargo catchment area. It needs to develop high-value-added logistics parks to support a low- or even zero-inventory mode of production in the region. In this regard:

- **Hong Kong SAR Government will enhance the city's infrastructure. Phase 2 extension works at Lok Ma Chau**



*The Financial Secretary, Mr Antony Leung, with the Budget 2002-03.*

**Control Point are in full swing. The Shenzhen-Western Corridor targeted for completion in 2005 is under active planning;**

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### Budget Able to Serve Hong Kong

Commenting on the Budget, the Chief Executive, Mr Tung Chee Hwa, spoke to reporters during his visit to Beijing: "This is a Budget that has taken into account the current economic situation and should be able to meet the needs of the community as a whole. I am confident that by standing together and working together, we would be able to balance the Budget and resolve the deficit issue within five years."

"This is a Budget that all of us should support," Mr Tung added.

# Major Infrastructure Investment

The Chief Executive, Mr Tung Chee Hwa, has said that C\$122.5 billion will be spent by Government and the two railway companies on more than 1,600 infrastructure projects over the next ten years.

Speaking at the opening ceremony of the Planning Department's "Building a Dynamic Hong Kong Exhibition" on February 20, Mr Tung said the investments would bring huge social and economic benefits, as well as job opportunities.

He said these investments would boost Hong Kong's position as a world financial, trade, transport, logistics and tourist centre.

Mr Tung noted that a new railway line will be completed almost every year in the next five years, with investments totaling C\$20.4 billion, alongside a massive road development programme.

Railway lines due for completion in the next few years include the Mass Transit Railway Tseung Kwan O Extension, the West Rail, Ma On Shan Rail, Kowloon-Canton Railway Tsim Sha Tsui Extension, Penny's Bay Rail Link and the Sheung Shui to Lok Ma Chau Spur Line.

Route 9, connecting Sha Tin and Tsing Yi, to be completed



Mr Tung viewing the exhibition panels. Introducing the exhibits to him was Mr John Tsang, Secretary for Planning and Lands.

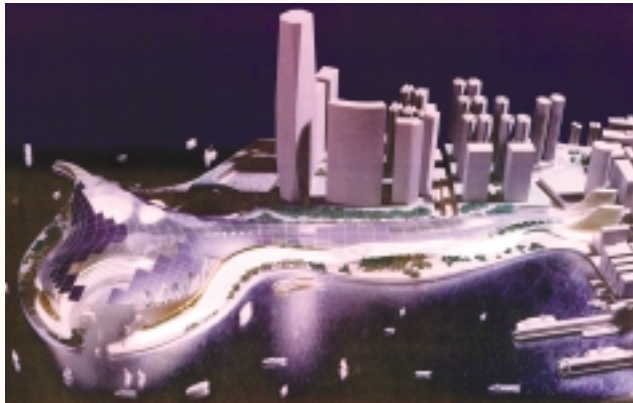
in 2008, comprises the Stonecutters Bridge, which will be one of the longest cable-stayed bridges in the world.

The Tsing Lung Bridge, which links Lantau Island and Tsing Lung Tau, will be one of the world's longest suspension bridges.

The Government also aims to enhance the link between Hong Kong and the Pearl River Delta with the Shenzhen Western Corridor and the Deep Bay Link, planned for completion by 2005.

The Chief Executive said local tourism would be further strengthened through the development of Hong Kong Disneyland and such projects as the Tung Chung Cable Car, water sports and resorts in Sai Kung, the cultural zone in West Kowloon and the Aberdeen Harbour tourism node.

## New Landmark Plans Announced



The winning entry of the West Kowloon Reclamation Concept Plan Competition features a great canopy flowing over the various spaces contained within the development area to create a unique iconic landmark.

The winners of the Concept Plan Competition on Hong Kong's West Kowloon Reclamation were announced on February 28 by a 10-member jury.

First prize went to an international team led by Foster and Partners, while the second prize was awarded to a team led by Mr Philip Y. K. Liao. Cash prizes of C\$600,000 (HK\$3 million) and C\$300,000 (HK\$1.5 million), respectively, were awarded to the winning teams.

Three other entries were each awarded an honourable mention and C\$160,000 (HK\$800,000). They were: a team led by Mr Minoru Takeyama; a joint team led by Mr Alan MacDonald and Urbis-LPT (Architects) Association; and a team led by Mr Rocco Sen Kee Yim.

Lord Rothschild, GBE, a jury member for the prestigious Pritzker Architecture

Prize, said that as the chair of the jury for this Hong Kong competition, he was pleased with the overall standard of the entries. He said the jury felt that the submission of the first prize winner fulfilled the mandate of the competition to define a conceptual architectural plan to establish Hong Kong as a city of world class arts and cultural activities.

"The master layout plan, even at this conceptual level, organizes the site to take full advantage of its prime waterfront location and its proximity to Kowloon Park and the Canton Road retail district," said Lord Rothschild.

The competition was launched on April 6, 2001. A total of 161 entries were received by September 29, 2001. Of these, 71 were from Hong Kong and 90 from overseas.



### HONG KONG UPDATE

The Hong Kong Economic & Trade Office in Toronto is the official representative of the Government of the Hong Kong Special Administrative Region in Canada, responsible for promoting Hong Kong's interests across the country.

Its main responsibilities include facilitating trade talks and handling trade-related matters with the Canadian Government, and the promotion of Canadian investment and business opportunities in Hong Kong. It liaises closely with business and commercial sectors, politicians, think-tanks, and the media, etc. It also provides an inquiry service about Hong Kong and organizes various trade, economic, and public relations activities to promote ties between Canada and Hong Kong.

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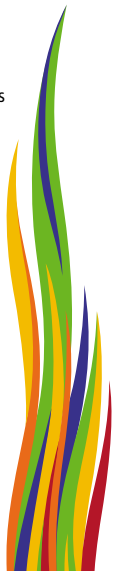
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# Chief Executive Re-elected Unopposed

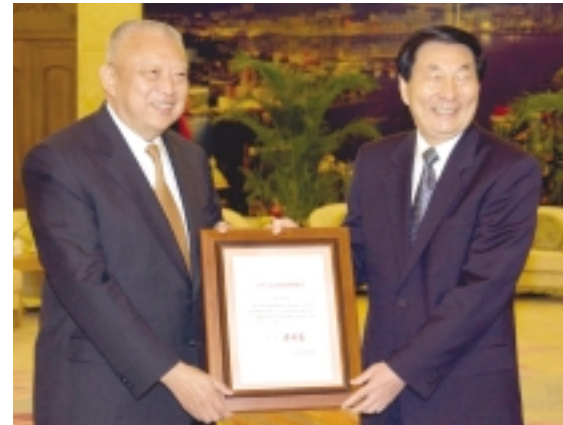
**The Chief Executive, Mr Tung Chee Hwa, has been re-elected unopposed for a second five-year term.**

Mr Justice Pang Kin-kee, the Returning Officer, made the announcement after the two-week nomination period closed at 5 pm on February 28. Mr Justice Pang received only one nomination form by the nomination deadline of February 19.

He said: "As there is only one validly nominated candidate by the close of nominations, I now declare that Mr Tung Chee Hwa is elected in the 2002 Chief Executive Election under Sections 23 and 28 of the Chief Executive Election Ordinance."

Mr Justice Pang said Mr Tung was validly nominated by 714 members of the Election Committee.

Mr Justice Woo Kwok-hing, the Chairman of the Electoral Affairs Commission, which conducted and supervised the election, said: "Our Commission has fulfilled our duties in accordance with the law. All the electoral arrangements and procedures have complied with the Basic Law of the Hong Kong Special Administrative Region, the Chief Executive Election Ordinance and other related statutory provisions. The election result is lawful and valid."



*The Chief Executive, Mr Tung Chee Hwa, was presented with an appointment letter for his second term by Premier Zhu Rongji on March 7.*

# Visit to Canada Fruitful

**The leader of Hong Kong's Legislative Council (LegCo) delegation, Dr Lui Ming-wah, described their February visit to Ottawa and Toronto as "very fruitful" and "productive".**

Dr Lui was particularly pleased that the delegation had successfully renewed its friendship with the Canada-Hong Kong Parliamentary Friendship Group and had useful dialogues and meetings with both provincial and city governments as well as business, social, health-care and cultural organizations.

The delegation arrived in Ottawa on February 16 and met with the Canada-Hong Kong Parliamentary Friendship Group, the Mayor of Ottawa and other senior government officials. The delegation travelled to Toronto on February 20, where they met with senior city and provincial government officials, presidents of the local Chinese business associations and leading figures in the Hong Kong Canada Business Association.

The visit is the first since 1992, when



*Dr Hon Lui Ming-wah (7th from right), representing the LegCo delegation, presents a souvenir to the Hon Bryon Wilfert, Chairman of the Canada-Hong Kong Parliamentary Friendship Group.*

the Canada-Hong Kong Parliamentary Friendship Group was formed. Other members of the delegation included Dr Philip Wong Yu-hong, Deputy Leader; Mr Chan Kwok-keung; Mr Tommy Cheung Yu-yan; Mr Fred Li Wah-ming; Mr Michael Mak Kwok-fung; and Mr Yeung Yiu-chung.

Dr Lui said that the visit to Ottawa had given the delegation an in-depth understanding of the operations of Canada's three-level government.

While in Toronto, the delegation was

briefed by the Assistant Deputy Minister of Finance and Chief Economist for the Ministry of Finance on Ontario's economic situation and its outlook. The delegation expressed concern about Canada's strong reliance on the US market and encouraged Canadian businessmen to invest in Hong Kong and capitalise on its distinct advantages as the gateway to China.

The delegation also met with councillor Mike Feldman, Chair of Economic Development and Parks Committee of Toronto's City Council, and was briefed on the latest economic development initiatives of Greater Toronto.

As well, the delegation visited the Hong Kong Economic and Trade Office (Canada), the Hong Kong Tourism Board and the Hong Kong Trade Development Council, the Toronto Board of Trade and the Canada-Hong Kong Resources Centre of the University of Toronto.



*The LegCo delegation and the Director, HKETO (Canada), Mrs Rosanna Ure (second from left), pictured with Mrs Angelina Kwong, Mon Sheong's Vice President (middle) during a visit to the Mon Sheong Home for the Aged.*

# Calgary Stampede in Hong Kong

## a Fusion of Two Cultures

For the second year running, the Calgary Stampede brought Calgary culture to Hong Kong by taking part in Hong Kong's Chinese New Year Parade in February, dazzling residents with their uniquely designed float and exciting performances.

The Calgary delegation, comprising more than 30 members, was led by Alberta Premier, Mr Ralph Klein, and the Mayor of Calgary, Mr Dave Bronconnier.

Mrs Rosanna Ure, Director of the Hong Kong Economic and Trade Office (Canada), noted at an official send-off reception held on January 16 that the event represented a fusion of cultures and performing arts.

She said: "The combination of Native Canadian performances and Western cowboys is both new and familiar to Hong Kong people. It is new because this fusion of the two performing arts has never been seen in Hong Kong before. Yet it is also familiar because Hong Kong is also the product of a fusion of two cultures – East and West."

The official send-off ceremony at Chinook Centre was organized by the Hong Kong Economic and Trade Office (Canada) and Hong Kong Tourism Board, in conjunction with the Hong Kong-Canada Business Association (Calgary Section).

Also speaking at the reception, Premier Klein said that Alberta and Hong Kong had enjoyed a close relationship and that business ties were particularly strong with the setting up of an Alberta representative office in Hong Kong.

"We acknowledge the value of Hong Kong as the gateway to China and would like to build on our already close ties to explore more business opportunities in Hong Kong and in China," he added.



The Director, Hong Kong Economic and Trade Office (Canada), Mrs Rosanna Ure (third from left) with the Chairman of Hong Kong-Canada Business Association, Calgary Section, Mr Raymond Kan (second from left), Miss Calgary Chinese, Miss Lily Tsang (third from right), Director of Hong Kong Tourism Board, Mrs Aliana Ho (second from right) with the Calgary Stampede Mascot.

Accompanied by the Director, Hong Kong Economic and Trade Office (Canada), Mrs Rosanna Ure (right), Alberta Premier, Ralph Klein (second from right), and Calgary Mayor, Mr Dave Bronconnier (left) unveil Hong Kong's global brand to the Calgary community.



The Calgary Stampede send-off reception also marked the unveiling of Hong Kong's new global brand identity by Premier Klein, Mayor Bronconnier and Mrs Ure.

A stylish dragon with the slogan "Asia's world city", the new brand identity was designed to communicate Hong Kong's link to an historical and cultural icon. While the flowing lines of the dragon mirror Chinese calligraphy, the dragon incorporates the letters "H" and "K" and the Chinese characters for Hong Kong.

The new Hong Kong brand was formally launched by the Chief Executive, Mr Tung Chee Hwa, at the Fortune Global Forum last May. It was introduced to Toronto and Vancouver last June.

The officiating party, comprising Mrs Ure, Premier Klein, Mayor Bronconnier, propose a toast to a successful Hong Kong-Canadian partnership.



Members of the Calgary Stampede delegation entertain guests at the send-off reception with their popular songs.

Minister of State for Intergovernmental Relations, Mr Greg Halsey-Brandt (middle), and Director of Hong Kong Economic and Trade Office (Canada), Mrs Rosanna Ure, join other officiating guests at a ribbon cutting ceremony to declare the "Living in Hong Kong – Past and Present" Photo Exhibition open.



Mrs Rosanna Ure (middle) with Mr Halsey-Brandt (left) and the Chairperson of the Vancouver Chapter of Canadian Association of Journalists, Miss Trudi Beutel (right).



Mrs Rosanna Ure (left) greets the Chairman of the Hong Kong-Canada Business Association, Vancouver Section, Mr Ken Woodhouse (right).



After launching the photo exhibition, the officiating party wished the Vancouver community a very happy and prosperous Chinese New Year.

## Successful Photo Exhibition Taken to Calgary and Vancouver

The widely-acclaimed "Living in Hong Kong – Past and Present" photo exhibition, one of the core elements of the Hong Kong Arts Festival held in Toronto last November, was displayed in Calgary from January 16 to 27 and in Vancouver from February 9 to 24.

The exhibition was jointly organized by the Hong Kong Economic and Trade Office (Canada) and Hong Kong Tourism Board, in conjunction with the Hong Kong-Canada Business Association (Calgary Section) and the Chinese Cultural Centre for Greater Vancouver.

The exhibition, arranged under the themes of "Dressing", "Eating", "Living", and "Commuting", showcases the transition of Hong Kong in the past

half century. The invaluable collection of some 80 nostalgic and modern photographs depicts life in Hong Kong from the 1950s to the present day.

Mrs Rosanna Ure, Director of the HKETO, said that through these photos, local communities in Calgary and Vancouver can better understand the rapid growth of Hong Kong, Asia's world city.

She said: "Hong Kong, as a place where East meets West, has a uniquely rich and diversified cultural life, which complements its unrivalled position as an international financial centre and regional logistics hub in the Asia Pacific Region."

Tens of thousands of Calgarians and Vancouverites visited the exhibition.



Mrs Rosanna Ure (left) takes Mr Halsey-Brandt (right) on a guided tour of the exhibition.

# Invest HK Director-General Brings Investment Messages to Canada

The Director-General of Invest HK, Mr Mike Rowse, visited Montreal and Toronto on March 11 and 12 to introduce Hong Kong's ideal business environment and excellent investment opportunities to Canadian corporations and to urge them to capitalise on Hong Kong's unique position as the gateway to China to establish a business presence in Asia's world city.

Addressing Canadian businessmen at a luncheon, Mr Rowse said: "Hong Kong offers an ultimate business environment and investment opportunities geared for corporations from around the world to set up their offices and operations.

"Hong Kong's proximity to Mainland China and its leading cities; its central location in Asia; its position as a world-leading business and finance centre; its state-of-the-art infrastructure; its independent judiciary; its rule of law; its low and simple tax regime, as well as its

level-playing field for all are the distinctive advantages available in Hong Kong for overseas investors."

In addition, China's accession to the World Trade Organization has given Hong Kong a number of positive factors that will add to its fundamental strengths as Asia's world city. These include enhancing Hong Kong's intermediary role in the trade, investment and communications sectors between Mainland China and partners around the globe; capitalizing on Hong Kong's knowledge and contacts in China; and capturing opportunities in such professional services areas as legal profession, accounting and auditing, finance, construction and management.

During his two-day visit, Mr Rowse met with representatives of major corporations in Montreal and Toronto, including Bombardier, Sun Life and Proponix, to discuss future investment



*The Director General of Invest HK, Mr Mike Rowse (right), visited major corporations in Montreal and Toronto as part of his business visit to Canada. Accompanying him on the visit to Bombardier was Mrs Rosanna Ure, Director of HKETO (Canada) (second from left).*

ventures in Hong Kong.

He also met the National Chair and the local chapters of the Hong Kong-Canada Business Association.

## ■ continued from page 1 **Visionary Budget Unveiled**

- Government is re-engineering the customs process;
- Government's Logistics Development Council is studying the establishment of a common platform to facilitate data exchange in the logistics industry.

On tourism, he said Hong Kong must develop more attractions/facilities, and different types of tourism (such as business tourism linked with exhibitions and conferences, family, ecological and cultural tourism).

- On business tourism, the Government is planning to build a new international exhibition centre at the Airport;
- Family tourism will be promoted by the new attractions at Ocean Park, Hong Kong Disneyland and the proposed Tung Chung cable car;
- In the area of eco-tourism, Hong Kong is endowed with country parks, hiking trails and nature conservation areas;
- On cultural tourism, the concept plan for an exciting new cultural zone in West Kowloon has been selected, and the Government will soon start detailed planning for its early construction.

On producer and professional services, the Financial Secretary said Hong Kong needs to add value to these services by devoting more resources to research and development, and by being more innovative and making wider use of technology, especially information technology.

Welcoming the 2002-03 Budget, the Director of HKETO (Canada), Mrs. Rosanna Ure, said she believed that in the process of further developing these four sectors, Hong Kong would provide good opportunities for investors from overseas countries, including Canada, to achieve a win-win situation.

"Given the expertise of Canadian businesses in the sectors of information communication technology, biotechnology, biopharmaceutical, tourism and environmental technology, Hong Kong presents a lot of business opportunities for these companies. China's accession to the World Trade Organization will give Hong Kong businesses and, by extension, Canadian businesses, the opportunity to capture this large market. Hong Kong is the gateway to China. Canadian businesses interested in investing in Hong Kong should seize this excellent opportunity. HKETO will be happy to give our support and provide them with the necessary assistance," said Mrs Ure.

She noted that, despite the budget deficit, the Government will continue to invest in education. Recruitment of native English-speaking teachers has commenced in Canada, with a view to improving the English standard of secondary and primary students. Human resource and infrastructure developments will continue to be at the heart of the Government's long-term development plan.

# HK Signs Agreements with Canadian Consultants

Hong Kong's Transport Department recently signed a C\$0.8 million (HK\$4.08 million) consultancy agreement with Delcan Arup Joint Venture of Canada for the design and construction assignment for Area Traffic Control (ATC) and Closed Circuit Television (CCTV) Systems in the territory's Tuen Mun and Yuen Long Districts.

The consultants will be responsible for the detailed design and the administration of the contracts for implementing the works. The assignment commenced last December with the construction works to commence in September 2003 for completion in November 2005.

Upon completion of the project, all existing and planned signalized junctions in Tuen Mun and Yuen Long (approximately 280) will be controlled by the ATC system. By using this state-of-the-art technique, the proposed ATC system will interface with

the existing signaling system of the Light Rail Transit (LRT) and will centrally co-ordinate traffic signal timing to minimize vehicle stoppage and delay, resulting in reduced journey time.

The ATC system will operate the traffic signals in a traffic responsive manner by automatically adjusting the signal plans and timing to meet the prevailing traffic conditions measured through detectors on the roads.

The CCTV system will facilitate monitoring of traffic conditions in the districts through CCTV cameras. About 47 remote controlled CCTV cameras will be installed at key roadside locations and linked to the ATC Control Centre of the Transport Department.

It is expected that the combined systems will substantially improve the traffic flow of the road network in Tuen Mun and Yuen Long.

## HKIA Named Cargo Airport of the Year

Hong Kong International Airport (HKIA) has been named Cargo Airport of the Year 2002 by a leading international air cargo trade publication.

London-based Air Cargo News has presented its Cargo Airline of the Year awards for 19 years, but this is the first time it has honoured a Cargo Airport of the Year. The publication also gave HKIA the Award for Excellence for the Far East.

HKIA won despite tough competition from airports around the world, including Changi, Dubai, Frankfurt and Paris.

Last year, HKIA handled 33 million passengers, 2.08 million tonnes of air cargo and 196,800 flight movements. There are two main cargo terminal operators, HACTL and AAT, with a combined capacity of three million tonnes. HACTL's SuperTerminal 1 is the world's largest cargo handling facility, accounting for some 80% of throughput at HKIA.

HKIA continued to show strong growth in the first two months of the year. Cargo throughput rose 9.2% compared with January and February 2001. Exports were particularly strong, up 14.1% from 157,755 tonnes to 180,000 tonnes. Passenger traffic rose marginally by 0.2%, while aircraft movements grew by 2% compared with last year.



*Hong Kong International Airport is a robust engineer for Hong Kong's economic growth. It was named Cargo Airport of 2002.*

## Canadian Students Win HK Fellowship

Three Canadian journalism students have won the Student Journalists Hong Kong Fellowship. They are: Robert Scalia of Concordia University, Montreal; Liam Mitchell of the University of British Columbia, Vancouver; and Melissa Leong of Ryerson University, Toronto.

The awards were announced on February 26 by the Hong Kong Economic and Trade Office in Canada in association with the Canadian Association of Journalists (CAJ).

This Fellowship was launched last December, following the success of the Dateline Hong Kong Fellowship for Canadian working journalists.

Applications were adjudicated by three judges selected from the National Board of Directors of the Canadian Association of Journalists. The judges were: Michelle MacAfee, Canadian Press, Montreal; Tom Arnold, National Post, Toronto; and Saleem Khan, a Toronto-based independent journalist.

The purpose of the fellowship is to offer students of all recognized journalism schools in Canada an opportunity to acquaint themselves with the Hong Kong Special Administrative Region (SAR) of the People's Republic of China. Funding for this new project comes from the Hong Kong SAR Government.

The winners will receive a return air ticket between Canada and Hong Kong and hotel accommodation for nine nights.

# Financial News Capsules

## More Companies Set Up Operations in HK

Five more international companies have set up operations in Hong Kong. They are: US-based pharmaceutical firm, Eli Lilly, a Fortune 500 Company; California-based United Commercial Bank (UCB); international film completion guarantor, cineFinance; the United Kingdom's leading sandwich shop chain, Pret A Manger; and Germany's GeneScan, a major global player in molecular biology.

The President of Eli Lilly's Asian Operations, Mr Richard Smith, said that his company had chosen Hong Kong as its regional headquarters because of its ideal central location, from where it could oversee and co-ordinate its considerable regional sales and clinical activities across Asia.

The President and Chief Executive Officer of UCB Holdings, Inc, Mr Thomas S Wu, said Hong Kong was chosen as the first offshore centre of the UCB because of its prime geographical location for penetrating the Greater China market, cultural affinity with China and business expertise.

The President and Chief Executive Officer of cineFinance, Mr Fred Milstein, said: "The Hong Kong SAR Government is committed to promoting Hong Kong's film industry. As Asia's financial hub and film centre, Hong Kong is a natural choice for cineFinance as a base in Asia."

The Chairman and Chief Executive of Pret A Manger, Mr Andrew Rolfe, said his company had selected Hong Kong because it not only was Asia's leading city and financial centre, but it also embodied what Pret A Manger was all about – passion for food, good customer service, quality and speed.

The Managing Director of GeneScan (Hong Kong) Ltd., Mr. Frank Albrecht, said: "The strategic location of Hong Kong and its proximity to China were key factors in our decision to choose Hong Kong for our first office in Asia. We regard China as one of the most important markets worldwide, especially after China's entry into WTO."

## HK has US\$111.3 billion in Foreign Assets

The official foreign currency assets of Hong Kong amounted to US\$111.3 billion at the end of January 2002, as compared with US\$111.2 billion at the end of December 2001.

In terms of foreign currency assets ranking, Hong Kong is the world's fourth largest holder of foreign currency reserves, after Japan, Mainland China and Taiwan.

The total foreign currency reserve assets of US\$111.3 billion represent about seven times the currency in circulation, one of the highest ratios in the world.

## Retails Sales Still Down

The value of total retail sales in December 2001, estimated at C\$3.2 billion, decreased by 5.3% compared with December 2000. After discounting the effect of price changes over the same period, the overall volume of retail sales decreased by 3.2% in December 2001 from a year earlier, following a 1.6% decline in November.

## Trade Figures for December

The value of total exports of goods (comprising re-exports and domestic exports) decreased by 10.4% from a year earlier to C\$23.7 billion, after an 11.3% year-on-year decline in November. Within this total, the value of re-exports dropped by 10.6% to C\$21 billion, while the value of domestic exports fell by 8.5% to C\$2.7 billion.

Concurrently, the value of imports of goods was down by 13.5% from a year earlier to C\$25 billion in December, following an 11.5% fall in November.

A visible trade deficit of C\$1.36 billion, equivalent to 5.5% of the value of imports of goods, was recorded in December 2001. This was distinctly smaller than the corresponding deficit of C\$2.55 billion, equivalent to 8.8% of the value of imports of goods, recorded in December 2000.

For 2001 as a whole, the value of total exports of goods decreased by 5.8%. Within this total, the value of re-exports fell by 4.6%, while the value of domestic exports shrank by 15.2%. Over the same period, the value of imports of goods declined by 5.4%. A visible trade deficit of C\$17.8 billion, equivalent to 5.6% of the value of imports of goods, was recorded in 2001. This was slightly larger than the corresponding deficit of C\$17.4 billion, equivalent to 5.1% of the value of imports of goods, recorded in 2000.

## Unemployment Leaps to 6.7%

The seasonally adjusted unemployment rate leaped from 6.1% in October-December 2001 to 6.7% (provisional) in November 2001-January 2002. The underemployment rate also went up, from 3.0% to 3.2% (provisional) over the same period.

The total labour force continued to expand, from 3,439,900 in October-December 2001, to 3,448,000 (provisional) in November 2001-January 2002. On the other hand, the number of employed persons fell from 3,230,100 to 3,229,000 (provisional) between the two periods.

## Marginal Drop in CPI

According to the Composite Consumer Price Index (CPI), overall consumer prices fell by 3.5% in January 2002 from a year earlier, marginally smaller than the decline of 3.6% in December 2001.

The decline in overall consumer prices in January 2002 was attributable in part to the effect of some special measures, including a rates concession of up to HK\$2,000 by the Government for the year 2002 and a one-off electricity charge rebate by an electricity company during January and February 2002.

## Hong Kong to Set Up Direct Link with Euroclear

The Hong Kong Monetary Authority (HKMA) and Euroclear have agreed to develop a direct link between the HKMA's Central Moneymarkets Unit (CMU) and the Brussels-based international central securities depository.

This fully-automated real-time link will enable investors in Hong Kong and other parts of Asia to directly hold and settle Euroclear-eligible debt securities via their CMU accounts.

Scheduled to go live by the end of 2002, the new connection will significantly improve the ability of Asian investors to access international securities and counterparties in a secure, DVP (delivery-versus-payment) environment.

## HK's GNP

Hong Kong's Gross National Product (GNP) increased by 1.8% in money terms over a year earlier to C\$68.7 billion at current market prices in the third quarter of 2001, reversing the 2.2 decline in the second quarter.

The difference of C\$2.44 billion from the Gross Domestic Product (GDP), estimated at C\$66.3 billion for the third quarter of 2001, represented a net factor income inflow equivalent to 3.7% of GDP in that quarter.

After netting out the effect of price changes, Hong Kong's GNP rose by 2.1% in real terms in the third quarter of 2001 over a year earlier, as against a 0.3% fall in GDP in the same quarter. It was also in contrast to a 1.6% decline in GNP in real terms in the second quarter.

## The Basic Law Hong Kong SAR's Constitution

Hong Kong became a Special Administrative Region (HKSAR) of the People's Republic of China on July 1, 1997. Hong Kong's constitutional document, the Basic Law, enacted by China's National People's Congress, came into effect the same day.

The Basic Law embodies the concept of "One Country, Two Systems" and guarantees a high degree of auto-nomy with the Hong Kong people running Hong Kong in all areas except for foreign affairs and defence.

In particular, it ensures that Hong Kong's capitalist system and way of life under the rule of law will remain unchanged for at least 50 years.

The key provisions of the Basic Law which have been fully implemented in Hong Kong includes:

- The laws previously in force in Hong Kong have been maintained and separate from that in the Mainland.
- Continuation of freedom of speech; of the press and publications; of assembly; of religion; of procession and demonstration and the right and freedom to form, join trade unions and to strike.
- Independent finances separate from the Mainland and formulation of Hong Kong's own monetary and financial policies and safeguard for the free movement of goods, assets and capital.

For details of the Basic Law, click icon "Basic Law" at website <http://www.hketo.ca>.