



HONG KONG UPDATE

Hong Kong Economic and Trade Office • Toronto
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FINANCIAL SECRETARY: Hong Kong the Best Platform for China Market

On his first official visit to Canada, the Financial Secretary of the Hong Kong Special Administrative Region Government, Mr Antony Leung, delivered a strong message about Hong Kong's unique value as a portal to the vast, and ever-growing China market.

Mr Leung's whirlwind visit program on September 30 saw him meeting with economists, academics, think tanks, Hong Kong students and the Ontario Minister of Finance, the Hon Janet Ecker. His visit began with a roundtable discussion with economists from major Canadian banks, during which the Financial Secretary provided an update on the successful implementation of the "One Country, Two Systems" principle. Mr Leung also briefed the group on how Hong Kong



Mr Leung delivered a keynote address at a business luncheon co-hosted by the Hong Kong Economic and Trade Office (Canada), Hong Kong-Canada Business Association and Canadian Club of Toronto at the Metro Toronto Convention Centre. Mr Leung talked about Hong Kong's role in the dramatic transformation now taking place in China, and what Hong Kong can offer Canadian companies in the new economic environment



Mr Antony Leung called on the Ontario Minister of Finance, the Hon. Janet Ecker for a bilateral discussion during his one-day visit in Toronto, his first since his appointment as Financial Secretary in May 2001.

had risen to the challenges and opportunities arising from economic restructuring and economic integration with the Mainland of China.

Mr Leung delivered a keynote address at a luncheon co-hosted by the Hong Kong-Canada Business Association and Canadian Club of Toronto. Elaborating on Hong Kong's strengths in the new environment, Mr Leung said, "We are still the most important entrepôt for China, handling about 30 percent of the Mainland's foreign trade. We are the market of choice for Mainland companies seeking to raise capital, and the service centre for a lot of foreign companies doing business in China."

Mr Leung outlined the many steps Hong Kong has taken to maintain its competitiveness, by enhancing two-way flows of people, cargo, capital, information and services. Upcoming infrastructure plans aim to link Hong Kong's airport with ferry service to the Pearl River Delta, while a proposed 29-kilometre bridge would stretch to the western part of the Delta.

An afternoon roundtable discussion gave Mr Leung an opportunity to exchange views with distinguished local academics and members of think tanks who have special interests in the political and economic developments in Hong Kong, China and Asia.

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The Chief Executive, Mr Tung Chee Hwa, at "A Meeting of Minds" session, with Forbes' President, Mr Steve Forbes (right), and Chairman, Mr Caspar Weinberger (left).

Chief Executive Addresses Forbes Global CEO Conference

The Chief Executive, Mr Tung Chee Hwa, made a keynote presentation to the some 300 leading executives from all over the world who converged on Hong Kong from September 24 to 26 for the second annual Forbes Global CEO Conference.

Describing himself as "a CEO of Hong Kong", Mr Tung discussed Hong Kong's challenges, both past and present. Acknowledging the need for a restructuring of the economy, Mr Tung nevertheless expressed full confidence in Hong Kong.

"Hong Kong actually has many competitive advantages," he declared. Enumerating these advantages, Mr Tung listed the depth and breadth of professional talent operating in Hong Kong, the city's geographic location, its honest and uncorrupt government and its unparalleled infrastructure. Further, Mr Tung pointed to the healthy fiscal reserves and absence of debt which provide the foundation for restructuring.

"We are positioning Hong Kong as a world city of Asia," said Mr Tung. "We are trying to add value, to continue to strengthen in the areas where we already have a dominant position, for instance, as a premier international financial centre and as a centre for logistics and trade." Hong Kong's relationship with the Pearl River Delta is,

according to Mr Tung, an additional strength, since that region has developed as a thriving economy.

Investment in education and infrastructure, improvements to environmental protection, housing and cultural facilities, revisions to the population policy – Mr Tung outlined these important aspects of Hong Kong's drive to ensure that the quality of life is appealing to talented people from around the world. "By 2007, when I leave this office, I am confident that we will succeed in having laid a very good foundation in the successful restructuring of our economy," said Mr Tung.

The Chief Executive also participated in "A Meeting of Minds" session with the President, CEO and Editor-in-Chief of Forbes, Mr Steve Forbes, and the Chairman of Forbes, Mr Caspar Weinberger.

Director-General of Investment Promotion at Invest Hong Kong, Mr Mike Rowse, said that the conference was "a good opportunity to introduce Hong Kong's advantages as a business location to some of the most important figures in the international business world." Invest Hong Kong, on behalf of the Hong Kong SAR Government, was the host sponsor of this prestigious event.



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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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Hong Kong Ranked Asia's Best-Performing Investment Site

According to the World Investment Report 2002, released on September 18 by the United Nations Conference on Trade and Development (UNCTAD), Hong Kong was named the best-performing host economy for foreign direct investment (FDI) in Asia. In the global ranking, Hong Kong holds second place, after Belgium/Luxembourg.

Hong Kong was also classified as a "front-runner" economy, which meant that the SAR outperformed its investment potential by attracting very high FDI flows relative to its economic size. Malaysia, Thailand and Singapore also shared this designation.

The UNCTAD study also pointed out that Hong Kong was able to solidify its position as a regional business hub, with 3,237 transnational corporations establishing regional offices in 2001. This represented an 8% increase over 2000.



Director-General of Investment Promotion at Invest Hong Kong, Mr Mike Rowse, and Professor Edward Chen, the resource person of UNCTAD, co-chaired a press conference on the "World Investment Report 2002: Transnational Corporations and Export Competitiveness".

Motorola Invests Millions in Hong Kong Design Centre

Communications giant Motorola will invest about US\$10 million a year to transform its Silicon Harbour Centre in Tai Po, Hong Kong, into a worldwide design facility. Motorola Vice-President and General Manager of its wireless and broadband systems group, Peter Shinyeda, stressed that the company's commitment is indefinite.

The fact that the new centre will focus on Global System for Mobile (GSM) mobile devices is a recognition of the role which Hong Kong's skilled, educated workforce has played in Motorola's 35 years of operation in the city. Hong Kong engineers helped develop Motorola's Dragonball processor technology, which powers 75 per cent of the world's PDA devices.

Engineers at the GSM design centre will spearhead the industry-wide adoption of Motorola's i.250 platform, a silicon-and-software package that will speed the design and manufacture of Internet-ready GSM handsets and PDAs for General Packet Radio Service networks.

"Hong Kong will be our worldwide centre of excellence for this platform," Mr Shinyeda said. He and other Motorola officials made the announcement at the September 2002 opening of the company's GSM Platform Integration Centre, to the delight of Hong Kong government officials, led by the Secretary for Commerce, Industry and Technology, Mr Henry Tang.

Motorola has signed eight phone

makers to design and manufacture their products on the i.250 platform, including Hangzhou-based Eastern Communications and Taiwanese companies Giga, Compal, Benq and the Solomon Technology Group. The Hong Kong centre will provide these manufacturers with training, design, integration, testing, debugging and technical implementation support.

Mr Tang noted that "the potential of wireless technologies in Hong Kong is certainly indisputable." He credited the SAR's telecommunications infrastructure and "trendy and fashion-conscious consumers" in making Hong Kong "the ideal test-bed for the introduction of new technologies and services."

SCIT's Visit Fosters IT and Communications Ties

On his first official overseas trip, the Secretary for Commerce, Industry and Technology of the Hong Kong Special Administrative Region Government, Mr Henry Tang, visited Canada from September 5 to 9, 2002.

Leading a delegation of representatives from the Hong Kong Special Administrative Region Government, the Hong Kong Trade Development Council and the ICT sector, Mr Tang visited Waterloo, where delegates met with top IT companies in Canada's Technology Triangle and participated in a trade-matching event.

Travelling to Charlottetown in Prince Edward Island to attend the Softworld



The Secretary for Commerce, Industry and Technology of the Hong Kong Special Administrative Region Government, Mr Henry Tang, (left), with Canada's Minister of Industry, the Hon Allan Rock.

2002 Conference, Mr Tang met with Canada's Minister of Industry, the Hon Allan Rock, for a bilateral exchange on issues of mutual interest, with particular focus on closer co-operation between Canada and Hong Kong.

At the Softworld Conference, Mr Tang delivered a keynote speech entitled "Hong Kong - Connecting the World". He outlined the many attributes which set Hong Kong apart as a leading edge communications and e-commerce centre, such as the high degree of Internet and PC penetration,

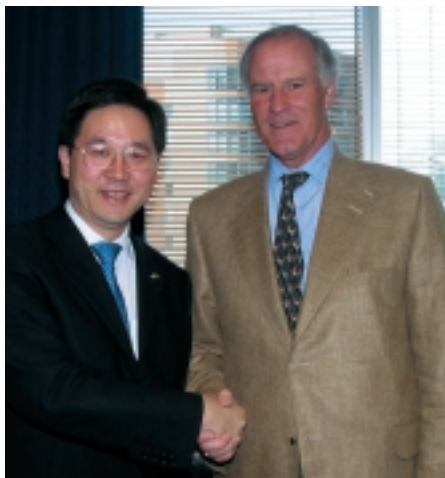
the 8.5 million e-payment smart cards in circulation in Hong Kong and the many online private and public services available to citizens. Mr Tang also spoke about the open nature of Hong Kong's telecommunications sector and highlighted partnerships between Hong Kong and Canadian companies such as Research in Motion and Teranet of Toronto.

Mr Tang described his visit as "constructive in fostering closer co-operation between Hong Kong and Canada on the IT and communications fronts."



The Secretary for Commerce, Industry and Technology of the Hong Kong Special Administrative Region Government, Mr Henry Tang, gave a presentation at the Softworld 2002 Conference.

SCA Visit Enhances Understanding of Accountability System



Secretary for Constitutional Affairs, Mr Stephen Lam, with Canadian Foreign Affairs Minister, Hon Bill Graham.

From August 8 to 9, the Secretary for Constitutional Affairs of the Hong Kong Special Administrative Region Government, Mr Stephen Lam, visited Ottawa and Toronto, where he met with Canadian officials to brief them about the implementation of the new accountability system for principal officials recently adopted in Hong Kong.

In separate meetings, Mr Lam briefed the Hon Bill Graham, Canadian Foreign Affairs Minister, and Mr Bernard Patry, Chair, House Standing

Committee on Foreign Affairs and International Trade, on the smooth implementation of the "One Country, Two Systems" principle in Hong Kong. Mr Lam said both Minister Graham and Mr Bernard Patry were pleased to know about Hong Kong's smooth transition in 1997 and the new accountability system which aims to enhance Hong Kong's governance.

While in Canada, Mr Lam also met with business leaders, academics and representatives from think tanks and the media.

Chief Executive Pledges Support at Peace Memorial

"It is with a heavy heart and a strong sense of camaraderie that I am joining all of you tonight at the International Memorial for Peace, held in solemn remembrance of all the victims of the September 11 events of last year." So began a speech made by the Chief Executive, Mr Tung Chee Hwa, at a ceremony at Hong Kong's City Hall on September 12, 2002.

Mr Tung paid his respects to the victims and offered condolences to their loved ones, saying, "We want them to know that we, even far away in Hong Kong, offer them our spiritual support and wish them a speedy recovery from the trauma."

Mr Tung also emphasised Hong Kong's determination to fight terrorism, working with the international community to implement UN resolutions that make it harder for terrorists to fund their activities. "We will not allow any terrorist to exploit the openness of our society in acting out their base motives," he stated.

Reiterating his commitment to a safe, peaceful, free, open and pluralistic society, Mr Tung pledged to support that with "firm resolve and necessary action. By protecting innocent lives and all that humanity values as good, we are also doing our best to express our love and respect to those who have died."



The Chief Executive, Mr Tung Chee Hwa, attended the International Memorial for Peace Ceremony to commemorate the anniversary of September 11, 2001.

HKETO Showcases Hong Kong Culture in Montreal

A major promotion entitled "A Cultural Rendezvous with Hong Kong", organized by the Hong Kong Economic and Trade Office (Canada), (HKETO) is set to thrill the art-loving Montreal community. To be held from October 2 to 15 at the Place des Arts, the event will comprise a performance of Cantonese opera and a photo exhibition.

The opera performance – "An Enchanting Evening of Cantonese Opera" – will feature selections from three classical Chinese works by the Canada (KW) Music & Arts Centre.

The nostalgic and modern photo exhibit will be on public display in the Pas perdue corridor of Place des Arts. "Living in Hong Kong – Past and Present" is a unique collection of movie stills from films produced in Hong Kong in the 1950s, alongside current images depicting the development of the city in terms of "Eating", "Living", "Dressing" and "Commuting". The exhibition has previously been well received in Toronto, Calgary and Vancouver.

At a press conference on September 5 to launch the event, Mrs Rosanna Ure, Director of the HKETO, also talked about Hong Kong's new global brand identity. Introducing Hong Kong as Asia's world city, Mrs Ure said, "The fusion of both Western and Chinese cultures has made Hong Kong a unique



The HKETO Director, Mrs Rosanna Ure, announced details of the Montreal event at a press conference, September 5.

place and we hope that by presenting 'A Cultural Rendezvous with Hong Kong', our Canadian friends can share with us Hong Kong's culture and heritage, as well as gain a deeper understanding of the city."

Brand Hong Kong Dragon Lights up Waterfront

Hong Kong's famed skyline has a new addition – a giant Brand Hong Kong dragon atop the Queensway Government Offices. The structure, built by the Architectural Services Department to promote Hong Kong as Asia's world city, was brought to life by the Chief Secretary for Administration, Mr Donald Tsang, on July 2, 2002.

Mr Tsang used a specially-designed light sabre to switch the dragon on in a brilliant flash of colour. "This is our latest – and most visible – effort to keep the spirit of the Hong Kong dragon in the hearts and minds of residents and visitors," Mr Tsang told guests at the opening ceremony. "The Brand Hong Kong dragon represents our core values: progressiveness, freedom, stability, opportunity and high quality."



Brand Hong Kong neon sign atop the Queensway Government Offices.

Hong Kong Supports US Container Security Initiative

The Commissioner for Customs and Excise of the Hong Kong Special Administrative Region Government, Mr Raymond Wong Hung-chiu, signed a Declaration of Principles (DoP) with the Commissioner of the US Customs Service, Mr Robert C. Bonner, on September 23 to demonstrate Hong Kong's commitment to safeguarding the global maritime trade system against terrorism by supporting the US Container Security Initiative (CSI).

Mr Wong said that Hong Kong has the world's busiest container port and it fully recognizes the importance of enhancing the security of the world's maritime trading system through strengthened Customs co-operation at seaports.

Under the DoP, Hong Kong and US Customs will exchange information and work together closely to facilitate the identification and screening of high-risk containers. The two Customs groups will also consult closely on the implementation of a CSI pilot scheme in Hong Kong.



Commissioner of Customs and Excise, Mr Raymond Wong Hung-chiu (right), and US Customs Service, Mr Robert C. Bonner (left), signed the Declaration of Principles, witnessed by the Secretary for Commerce, Industry and Technology, Mr Henry Tang, and US Consul General for Hong Kong, Mr James Keith.

Extended Visa-free Access for HKSAR Passport Holders

Visa-free stays of up to 90 days have been granted to HKSAR passport holders travelling to Greenland and the Faroe Islands, Aruba and the Republic of Latvia. This brings to 118 the total number of countries and territories agreeing to grant visa-free access to HKSAR passport holders.

Remittance Made Easy

A reciprocal postal remittance service between Hong Kong and Canada was launched on September 2, 2002. "Under the new service, customers will be able to remit up to HK\$35,000 (CAD7,000) to recipients in Canada, who can cash such remittance orders in over 7,500 post offices throughout Canada," explained Hong Kong's Postmaster General, Mr Luk Ping-chuen. Similarly, customers in Canada can remit up to the same amount to recipients in Hong Kong.

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During a one-hour discussion session with more than 150 Hong Kong students studying in universities in the Greater Toronto Area, the Financial Secretary briefed them of the latest developments in Hong Kong on all fronts and encouraged them to pursue their careers in the Hong Kong Special Administration Region. The session was the last function he attended in Toronto before his departure for Hong Kong.

Later, Mr Leung called on the Ontario Minister of Finance, the Hon Janet Ecker, for a bilateral discussion. He also took time out to brief a wide cross-section of international media about Hong Kong's latest developments.

Mr Leung concluded his one-day visit by meeting with more than 150 Hong Kong students studying in universities in the Greater Toronto Area at the Faculty Club of the University of

Toronto. He updated the students on career opportunities available to them in Hong Kong and encouraged them to pursue their careers in the Special Administrative Region.

Throughout his busy day, Mr Leung stressed the myriad opportunities and advantages that Hong Kong provides as a conduit between the China market and international business. "Nobody knows more about doing business in China than we do," he said. "Hong Kong is the largest single source of external investment in the Mainland, with cumulative investments of CAD290 billion, nearly half of all external investment in the country."

Mr Leung urged Canadian businesses to see for themselves, by joining the Hong Kong-Canada trade mission in early November. The theme of the mission is Hong Kong – Your Fast Track to China, and it will include a visit to Hong Kong-owned factories in the Pearl River Delta. A further incentive to do business with Hong Kong is infrastructure projects worth CAD\$120 billion, either currently underway or in the pipeline, on which Canadian companies are welcome to bid.

Journalism Fellowships Awarded

The Hong Kong Economic and Trade Office (Canada) (HKETO), in association with the Canadian Association of Journalists, announced the winners of Dateline Hong Kong Fellowship 2002. Tony Wong, of the Toronto Star, and Valerie Dufour, of Montreal's Le Devoir, were selected based on the strength of their applications. Each had submitted stunning story

proposals and confirmation from supervisors that their work would be published or broadcast upon their return to Canada.

Assisted by the HKETO, they will visit various points of interest and meet with people of diverse views and cultural backgrounds.

Funding for this annual project is provided by the Hong Kong SAR Government.

Financial News Capsules

More international companies select HK as HQ

Five more international companies have selected Hong Kong as their Asia headquarters (HQ). They are: US-based satellite tracking company Aprize Satellite Limited; global telecommunications and solutions provider BT Ignite; the world's largest lock manufacturer ASSA ABLOY; US-based global marketing research company ORC International; and France-based leading international telecommunications provider EADS TELECOM.

Top executives for the companies cited Hong Kong's excellent telecommunications and IT infrastructure, multi-lingual workforce and superb geographical location as prime reasons for choosing the city as their base of operations in Asia.

Second quarter GNP up 0.65%

Hong Kong's Gross National Product (GNP) increased by 0.6% in real terms in the second quarter of 2002 over a year earlier, following a 0.6% increase in the first quarter. For the first half of 2002 as a whole, Hong Kong's GNP grew by 0.6% in real terms over a year earlier, as against virtually no change in GDP over the same period.

Hong Kong's GNP in the second quarter of 2002 was estimated at C\$61.9 billion at current market prices, representing a decrease of 1.6% in money terms from a year earlier.

GDP up slightly

Hong Kong's Gross Domestic Product (GDP) increased by 0.5% in real terms in the second quarter of 2002 on a year-on-year comparison, up from a 0.5% decrease in the first quarter (raised from a 0.9% decrease, mainly due to a technical revision to GDP leading to change-over to a new 2000-based GDP series). On a seasonally adjusted quarter-to-quarter comparison, GDP continued to rise, by 0.4% in real terms in the second quarter of 2002, having gone up by 0.2% in the first quarter (which is lowered from a 0.3% increase, again mainly on account of the technical revision to GDP).

Externally, exports of both goods and services performed better in the second quarter of 2002. On the back of firmer regional demand and, more recently, improved external price competitiveness from a weaker US dollar, total exports of goods reverted to increase at 5.9% in real terms in the second quarter of 2002 over a year earlier, having declined for four consecutive quarters. Exports of services had a further notable rise of 8.6% in real terms in the second quarter of 2002 over a year earlier, bolstered by significant leaps in inbound tourism and offshore trade.

Hong Kong foreign currency reserve at US\$112.3 billion

The official foreign currency reserve assets of Hong Kong amounted to US\$112.3 billion at the end of August 2002, as compared with US\$112.5 billion at the end of July.

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

The total foreign currency reserve assets of US\$112.3 billion represent over seven times the currency in circulation, one of the highest ratios in the world.

Unemployment drops slightly

The seasonally adjusted unemployment rate fell to 7.6% (provisional) in June to August 2002, from 7.8% in May to July 2002. But the underemployment rate edged up, from 2.8% to 2.9% (provisional).

The total labour force expanded further, by 11,500, from 3,495,600 in May to July 2002 to 3,507,000 (provisional) in June-August 2002. Total employment rose slightly more, by 12,500, from 3,220,600 to 3,233,000 (provisional) over the same periods.

Trade figures in August

In August 2002, the value of total exports of goods (comprising re-exports and domestic exports) rose by 5.7% over a year earlier to C\$28.2 billion, after a 9.8% year-on-year increase in July. Within this total, the value of re-exports went up by 7.9% to C\$25.8 billion in August, while the value of domestic exports decreased by 12.9% to C\$2.4 billion. Concurrently, the value of imports of goods rose by 5.8% over a year earlier to C\$28.8 billion in August 2002, after a year-on-year increase of 7.3% in July.

A visible trade deficit of C\$0.6 billion, equivalent to 2.1% of the value of imports of goods, was recorded in August 2002.

For the first eight months of 2002, the value of total exports of goods rose by 0.9% over the same period in 2001. Within this total, the value of re-exports increased by 2.9%, while the value of domestic exports shrank by 15.9%.

Hong Kong's investment climate highly favourable

A survey conducted among senior corporate leaders and policymakers participating in BusinessWeek's 11th Annual Asia Leadership Forum, held June 25, revealed that 70 per cent of participants view Hong Kong's current investment environment as "very advantageous" or "advantageous" for attracting inward investment.

More than 70 per cent of respondents described as "very good" or "good" such factors as Hong Kong's political stability and security, rule of law and independent judiciary, corruption-free government, infrastructure, press and information freedom, sturdy banking and financial system and its low and simple tax regime.

Consumer prices drop

The Composite Consumer Price Index (Composite CPI) fell by 3.3% in August 2002 over a year earlier, slightly less than the 3.4% decrease in July 2002.

Analysed by the three sub-indices, the CPI(A) and CPI(B) fell by 3.7% and 3.2%, respectively, in August 2002 over a year earlier, also smaller than the corresponding decreases of 4.1% and 3.3% in July 2002. Yet for the CPI(C), the year-on-year decrease enlarged marginally between the two months, from 2.7% to 2.8%.

Cargo throughput reaches new heights at HKIA

Total cargo throughput at Hong Kong International Airport for the 12 months to August was 2.32 million tonnes, 9.3% higher than the corresponding period last year.

Cargo throughput for August was 208,000 tonnes, 24% higher than last year. Exports (loaded cargo) grew by 28.5% from last year, with demand continuing to grow in Europe, North America and SE Asia.

August Visitors Pass 1.5 Million

Hong Kong is maintaining this year's record-breaking trend, with arrivals in a single month (August 2002) passing 1.5 million for the first time.

Arrivals from all markets totaled 1,501,078, a 20.5% increase on the figure for August 2001. Meanwhile, arrivals from Mainland China, which reached a new peak of 565,322 only the previous month, eclipsed this record by soaring to 659,726 in August.

For the first eight months of 2002, total arrivals increased by 14.4% to 10,372,874, with a full-year forecast of 15.35 million arrivals, representing 11.8% growth over 2001.

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 autonomy with 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 include:

- The laws previously in force in Hong Kong have been maintained, separate from those 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 safeguarding of the free movement of goods, assets and capital.

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