

Coming to Hong Kong

Hong Kong, with a population of about 7.54 million in mid-2023, is a small but dynamic city. As one of the world's leading international financial centres, Hong Kong has always been an ideal bridge linking the Mainland and the rest of the world.

In 2022, services sector constituted up to 94 per cent of Hong Kong's Gross Domestic Product (GDP).

The Hong Kong Special Administrative Region: The Hong Kong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) was established on July 1, 1997. Under the principle of "one country, two systems", Hong Kong's previous capitalist system and way of life shall remain unchanged. The HKSAR shall be administered by Hong Kong people and shall exercise a high degree of autonomy.

The Basic Law: The Basic Law, enacted in accordance with the Constitution of the PRC, is a constitutional document for the HKSAR. It enshrines within a legal document the basic policies of the PRC regarding Hong Kong and prescribes the systems to be practised in the HKSAR. It prescribes the relationship between the Central Authorities and the HKSAR; the fundamental rights and duties of Hong Kong residents; the political structure of the HKSAR; the economic and social systems of the HKSAR; the conduct of external affairs by the HKSAR, as well as the interpretation and amendment of the Basic Law.

The Government: The main administrative and executive functions of government are carried out by policy bureaux and departments¹, and the Chief Executive (CE) of the HKSAR is the head of the HKSAR government². According to the Annex I to the Basic Law, the CE shall be elected in accordance with the Basic Law by an Election Committee which is broadly representative, suited to the actual situation of the HKSAR, and represents the overall interests of society. The Election Committee is composed of 1 500 members from five sectors, each with 300 members: (1) industrial, commercial and financial sectors; (2) the professions; (3) grassroots, labour, religious and other sectors; (4) LegCo members and representatives of district organisations; (5) Hong Kong deputies to the NPC, Hong Kong members of the National Committee of the Chinese People's Political Consultative Conference and representatives of Hong Kong members of related national organisations.

The Executive Council is an organ for assisting the CE in policy-making. Except for the appointment, removal and disciplining of officials and the adoption of measures in emergencies, the CE shall consult the Executive Council before making important policy decisions, introducing bills to the Legislative Council (LegCo), making subordinate legislation or dissolving the LegCo.

The LegCo shall exercise the powers and functions, which include to enact, amend or repeal laws in accordance with the Basic Law and legal procedures; examine and approve budgets

introduced by the government; approve taxation and public expenditure; and raise questions on the work of the government.

Pursuant to the Annex II to the Basic Law, the LegCo shall be composed of 90 members for each term, including 40 members returned by the Election Committee, 30 members returned by functional constituencies, as well as 20 members returned by geographical constituencies through direct elections.

At the district level, the HKSAR has established 18 District Councils which are to be consulted by the Government on the district affairs affecting the livelihood and living environment in the District and well-being of the people in the District.

The Improved Electoral System: To ensure that the electoral system of the HKSAR upholds the principle of "one country, two systems" and accords with the actual situation of the HKSAR, the principle of "patriots administering Hong Kong" can be fully implemented, which is conducive to safeguarding sovereignty, national security, and development interests of the Country, and maintaining Hong Kong's long-term prosperity and stability, the National People's Congress ("NPC") made the Decision on Improving the Electoral System of the HKSAR on 11 March 2021 and authorised the NPC Standing Committee ("NPCSC") to amend Annex I on Method for the Selection of the Chief Executive of the HKSAR and Annex II on Method for the Formation of the LegCo of the HKSAR and Its Voting Procedures to the Basic Law. Subsequently, the NPCSC adopted the amended Annexes I and II to the Basic Law on 30 March. Key amendments include adjusting and enhancing the composition of the Election Committee and entrusting it with new functions with a view to enhancing balanced and orderly political participation of the Hong Kong community and ensuring broader representation of the political structure, so as to better realise the overall and fundamental interests of the Hong Kong society. To implement the amended Annexes I and II to the Basic Law, the HKSAR Government gazetted the Improving Electoral System (Consolidated Amendments) Ordinance 2021, which was passed by the Legislative Council and came into effect on 31 May 2021. The HKSAR Government, in accordance with the new electoral system and relevant electoral legislation, successfully conducted the Election Committee Subsector Ordinary Elections, the Legislative Council General Election, the Chief Executive Election and the Legislative Council Election Committee constituency by-election in September and December 2021 and in May and December 2022 respectively. The four elections were held smoothly in a fair, just and honest manner, fully demonstrating the broad representation, political inclusiveness, balanced participation and fair competition of the new electoral system. The implementation of the new electoral system has

substantially improved and enhanced the democratic system of the HKSAR.

District Council: To fully implement the principle of “patriots administering Hong Kong” and bring the District Councils back on track to fulfil their mission to serve the community, the government introduced the District Councils (Amendment) Bill 2023 into the Legislative Council on May 31, 2023, to implement the proposed reform of the District Councils. The bill was passed by the Legislative Council on July 6, 2023, and the District Councils (Amendment) Ordinance 2023 came into effect on July 10, 2023. The 2023 District Council Ordinary Election was successfully held on December 10, 2023, which was the first large-scale territory-wide election under the improved district governance and the reformed District Councils. The election is of great significance as it enables the District Councils to return to the positioning under Article 97 of the Basic Law as advisory and service bodies which are not organs of political power. The new District Councils are composed of representatives from different sectors, with various expertise and district experiences, and are broadly representative, incorporating various professionals, experienced and capable persons to participate in district administration, which are conducive to reflecting the overall interest of each district.

Laws and Justice: Laws in Hong Kong consist of the Basic Law, which was enacted in accordance with the Constitution of the PRC, locally enacted ordinances, subsidiary legislation, the common law, rules of equity and customary law. A few national laws listed in Annex III to the Basic Law are also applicable (covering subjects such as national security, national flag and anthem, nationality law and diplomatic privileges and immunities).

The courts of justice in the HKSAR comprise the Court of Final Appeal, the High Court (which comprises the Court of Appeal and the Court of First Instance), the Competition Tribunal, the District Court (which includes the Family Court), the Lands Tribunal, the Magistrates’ Courts (which include the Juvenile Court), the Coroner’s Court, the Labour Tribunal, the Small Claims Tribunal, and the Obscene Articles Tribunal.

Public Finance: As at end-March 2024, the Government’s fiscal reserves stood at \$734.6 billion. Estimated government revenue for 2024-25 amounts to \$633 billion. About 44.2 per cent of the revenue comes from direct taxes and 26.8 per cent from indirect taxes. Other sources of revenue include land premium, investment income, fees and charges, etc.

Estimated public expenditure for 2024-25 amounts to \$830 billion, representing about 26.3 per cent of GDP. This includes government expenditure of \$776.9 billion and expenditure by the Housing Authority and the Trading Funds of \$53.1 billion. The major areas of public expenditure in the year are: social welfare (16.4 per cent), health (15.4 per cent) and education (14 per cent).

Economy: Hong Kong is a leading international trade, finance and business centre, and has areas of strength such as fine tradition of the rule of law and judicial independence, business-friendly environment with a level playing field for all, clean and efficient government, simple tax regime with low tax rates, an

open and free trade regime, free flow of capital and information, well-educated workforce, and world-class infrastructure. Over the past 20 years, the Hong Kong economy has grown by an average annual rate of 2.8 per cent per annum in real terms. In 2023, GDP at current market prices amounted to \$2,982 billion, while per capita GDP has reached \$395,642.

Trade: The value of total trade (including merchandise imports, domestic exports and re-exports) in 2023 was \$8,822.4 billion, 6.7 per cent lower than that of 2022. The principal market for Hong Kong’s total exports was the mainland of China which took 55.5 per cent of Hong Kong’s total export value in 2023, followed by the United States of America (6.5 per cent), India (4 per cent), Taiwan (3.3 per cent) and Vietnam (2.7 per cent). The main suppliers of imports were the mainland of China (43.5 per cent), Taiwan (11.3 per cent), Singapore (7.1 per cent), Korea (4.8 per cent) and Japan (4.8 per cent).

Housing: According to the General Household Survey conducted by the Census and Statistics Department, as at the first quarter of 2024, there were a total of about 2.73 million households in Hong Kong, among which about 791 200 households or 2.07 million (around 28 per cent) of the Hong Kong population lived in public rental units of the Hong Kong Housing Authority, and about 29 700 households or 75 500 persons lived in public rental units of the Hong Kong Housing Society. Furthermore, about 421 900 households or 1.12 million (roughly 15 per cent) of the Hong Kong population lived in subsidised sale flats. In other words, almost half of the households in Hong Kong are living in housing units with government subsidies. Of the remaining 1.49 million households who were living in private housing, about 977 600 were owner-occupiers.

Health: On the whole, Hong Kong has a good health and healthcare system. The general health indices compare favourably with those in Western countries. The hospitals are among the finest and best equipped in the world. Comprehensive medical facilities and specialist services are available throughout Hong Kong. There is no National Health Service and medical consultation and treatment have to be paid for. However, public medical services are available to Hong Kong residents at highly subsidised rates.

As at end of 2023, the total number of hospital beds were 36 782* (30 636 beds in the Hospital Authority) distributed in 43 public hospital and institutions, and 14 private hospitals and 20 Correctional Services Department hospitals. The bed-population ratio was 4.9 beds per thousand population. At the same time, there were 16 180 registered doctors, 8 423 registered Chinese medicine practitioners and 2 137 listed Chinese medicine practitioners in Hong Kong.

Education: In the 2023/24 school year, there were 1 009 kindergartens, 594 primary schools and 512 secondary day schools. Enrolment in kindergartens was 136 095, with another 325 564 and 328 474 in primary and secondary day schools respectively. The student enrolment of the University Grants Committee (UGC) funded programmes offered by the eight UGC-funded universities in the 2022/23 academic year was 98 364. The student enrolment of locally-accredited self-financing post-secondary programmes (except the Vocational Training

Council) at sub-degree and undergraduate levels was 60 120. For the Vocational Training Council, the student enrolment of the pre-employment programmes in the 2022/2023 academic year was 40 510. The existing academic structure covers three-year junior secondary, three-year senior secondary and four-year higher education. The three-year senior secondary education has been implemented since September 2009 while the four-year undergraduate programmes have been implemented since September 2012.

Social Welfare: The Government provides a variety of welfare services to people in need, including elderly, rehabilitation, youth, family and child welfare services, etc. The Social Welfare Department (SWD), apart from focusing on providing social security assistance and performing statutory functions, also provides subsidies to non-governmental organisations (NGOs) (including 177 NGOs receiving subvention) and private operators through different modes of service agreement or contract for operating a variety of welfare services for individuals and families in need. The SWD also provides information on social welfare services to the public through a 24-hour hotline in the form of voice messages or facsimile transmission. Social workers from the SWD hotline as well as that from the Hotline and Outreaching Service Team operated by Tung Wah Group of Hospitals provide immediate counselling, support and service referrals for those in need during and outside office hours respectively.

Transportation: *Sea:* In 2023, there were about 92 200 vessel arrivals at Hong Kong Port. The port cargo throughput was about 175 million tonnes and there were 8.48 million cross-boundary ferry and cruise passenger journeys.

The two marine ferry terminals managed by the Marine Department resumed the cross-boundary ferry services between Hong Kong and the Mainland and Macao in early 2023. During the year, 6.13 million passengers travelled to and from Macao and 1.4 million passengers travelled to and from Mainland ports.

Road: In 2023, there are 2 239 kilometres of roads with a total number of 815 625 licensed vehicles and government vehicles, a density of 364 vehicles per kilometre. Three immersed-tube cross-harbour tunnels link Hong Kong Island and Kowloon. As at end 2023, about 5 899 licensed franchised buses and around 3.67 million daily passenger journeys were recorded during the year. There were 4 343 registered public light buses, 18 163 registered taxis and 168 tram cars.

Railways: The railway system in Hong Kong is operated and managed by the Mass Transit Railway (MTR) Corporation Limited. There are 99 stations along the 271 kilometre route. It consists of Kwun Tong Line (Tiu Keng Leng – Whampoa), Tsuen Wan Line (Tsuen Wan – Central), Island Line (Chai Wan – Kennedy Town), South Island Line (Admiralty – South Horizons), Tung Chung Line (Hong Kong – Tung Chung), Tseung Kwan O Line (Po Lam/LOHAS Park – North Point), East Rail Line (Admiralty – Lo Wu/Lok Ma Chau), Tuen Ma Line (Tuen Mun – Wu Kai Sha) and Disneyland Resort Line (Sunny Bay – Disneyland Resort). The MTR also operates a 35.2 kilometre Airport Express, and a 36.2 kilometre Light Rail

network which has 68 stops in the northwest New Territories. MTR bus services provide rail passengers with a more comprehensive service network.

The Guangzhou-Shenzhen-Hong Kong Express Rail Link (Hong Kong Section) connects Hong Kong to the national high speed rail network and reduces the rail journey time between Hong Kong and various major cities in the Mainland. In 2023, the entire railway system carried an average of 5 million passengers each day.

Air: Hong Kong International Airport is among the busiest airports in the world. As of March 2024, with around 120 airlines operating direct services to around 180 destinations worldwide. In 2023/24 fiscal year, it handled more than 45 million international passengers, about 4.5 million tonnes of air cargo and around 310 000 air traffic movements.

Telecommunications: As at December 2023, Hong Kong's fixed telecommunications networks served 3.49 million telephone lines, whereas mobile networks provided services to over 24.4 million subscribers, a penetration rate^{##} of about 317 mobile customers per 100 inhabitants, which was one of the highest in the world. In April 2020, fifth generation (5G) mobile services were commercially launched, enabling mobile users to enjoy more innovative communications services and applications. By end 2023, 5G mobile subscriptions exceeded 6.5million, with overall mobile data usage at around 195 792 Terabytes, or about 25 941 Megabytes per capita^{##}. This represents 1.24 times the mobile data usage over the same period in 2022. The local broadband Internet service market had 2.97 million subscriptions. The household broadband penetration rate reached 98.2 per cent.

Hong Kong is also one of the leading Wi-Fi cities in the world with 86 530 hotspots, covering 15 413 locations which enable the public to access the Internet via Wi-Fi.

Banks: Hong Kong is an international banking centre. As at June 2024, there were 149 licensed banks, 16 restricted licence banks and 11 deposit-taking companies in Hong Kong. Together they operated a comprehensive network of 1 084 local branches. There were also 31 representative offices of banks incorporated outside Hong Kong. These institutions come from 35 economies and include 72 out of the world's largest 100 banks.

Exchange Rate: Since October 1983, Hong Kong has been adopting the linked exchange rate system under which the Hong Kong dollar is linked to the US dollar at the fixed rate of HK\$7.80 to US\$1.

Taxation: Under the territorial source concept of taxation, only income arising in or derived from Hong Kong, or certain offshore passive income received in Hong Kong by multinational enterprises with no economic presence in Hong Kong, is chargeable to tax. Profits from any trade, business or profession carried on in Hong Kong are chargeable to profits tax. Starting from the year of assessment 2018/19, the profits tax rate for the first \$2 million of assessable profits of corporations is lowered to 8.25 per cent. Assessable profits above \$2 million continue to be subject to the tax rate of 16.5 per cent. For non-corporate

persons, the two-tiered profits tax rates are correspondingly set at 7.5 per cent and 15 per cent. Income from employment is chargeable to salaries tax which is calculated at progressive rates after deducting various deductions and allowances or at standard rates on net income before deducting allowance, whichever is lower. Starting from the year of assessment 2024/25, a two-tiered standard rates regime for salaries tax is implemented. In calculating the amount of tax for taxpayers whose net income exceeds \$5 million and whose salaries tax is to be charged at a standard rates, the first \$5 million of their net income will continue to be subject to the standard rate of 15 per cent while the portion of their net income exceeding \$5 million will be subject to the standard rate of 16 per cent. Property tax is charged on the owner of any properties in Hong Kong at the standard rate of 15 per cent on the annual rent receivable less rates and a statutory deduction of 20 per cent for repairs and outgoings.

Mass Media: Hong Kong is one of the world's largest centres for Chinese-language publications. There were a total of 450 local newspapers and periodicals registered as at June 2024, 89 of which were newspapers including 60 Chinese-language dailies and 11 English dailies. There were 361 periodicals covering a wide variety of subjects from public affairs/politics to technical matters and entertainment.

As at June 2024, Hong Kong's television viewers can access to over 270 domestic and non-domestic television programme service channels broadcast by local licensees. These include 10 free TV channels provided by three domestic free television programme service licensees, five free TV channels provided by the public service broadcaster (i.e. Radio Television Hong Kong (RTHK)), over 200 pay TV channels, and around 50 non-domestic TV channels. Also, Hong Kong listeners can access to 14 radio channels, comprising eight channels operated by RTHK and six channels operated by two commercial broadcasters.

1 <https://www.gov.hk/en/about/govdirectory/govstructure.htm>

2 Basic Law Article 60

The number of hospital beds includes all hospital beds in Hospital Authority hospitals, private hospitals issued with licences under the Private Healthcare Facilities Ordinance (Cap. 633) of Hong Kong, and correctional institutions. The bed-population ratio may not be directly comparable with figures for other countries. Starting from 1 January 2021, the Private Healthcare Facilities Ordinance (Cap. 633) replaced the Hospitals, Nursing Homes and Maternity Homes Registration Ordinance (Cap. 165) to provide a new regulatory regime for private hospitals. Other healthcare institutions registered previously under the repealed Cap.165 (e.g. nursing homes) are regulated under new regulatory regimes by different government departments and excluded in the number of hospital beds. The bed-population ratio cannot be directly compared with figures in years before 2021.

Calculations of mobile penetration rate and mobile data usage per capita do not include machine type connections