

Coming to Hong Kong

Hong Kong, with a population of about 7.51 million in mid-2019, is a small but dynamic city which has earned an international reputation as a leading commercial and financial centre as well as a highly efficient entrepot.

Almost from the outset 150 years ago, Hong Kong enjoyed a prosperous entrepot trade, thanks mainly to its world-class harbour strategically located on the main Far Eastern trade routes. Subsequent historical and political events led to the development of the manufacturing industry. Hong Kong has also seen a rapid expansion of its services sector in the past two decades, contributing significantly to the Hong Kong economy in recent years.

In 2018, services sector constituted up to 93 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 Chief Executive (CE) is the head of the HKSAR. According to the Basic Law, the CE shall be selected by election or through consultations held in Hong Kong, and be appointed by the Central People's Government. At present, the Election Committee which is responsible for selecting the CE is composed of 1 200 members. Most members of the Election Committee are returned by election.

The Executive Council assists the CE in policy making. 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. At present, Legislative Council has 70 members: 35 members are returned by geographical constituencies, and another 35 members are returned by functional constituencies.

At the district level, 18 District Councils offer advice on matters affecting the well-being of the people in the districts, and provide a platform for public consultation.

Constitutional Development: The Basic Law prescribes the methods for electing the CE and for forming the LegCo. The Basic Law further prescribes the ultimate aim of selecting the CE by universal suffrage upon nomination by a broadly representative nominating committee in accordance with democratic procedures, and of electing all the members of the LegCo by universal suffrage in the light of the actual situation in the HKSAR and in accordance with the principle of gradual and orderly progress.

According to the Basic Law and the relevant Interpretation and Decisions of the Standing Committee of the National People's Congress (NPCSC), any amendments to the method for selecting the CE and the formation of the LegCo must go through the "Five-step" constitutional process, i.e., the making of a report by the CE to the NPCSC, the determination by the NPCSC whether to make amendments to the methods of selection/formation; the endorsement of a two-thirds majority of all the Members of the LegCo, the consent of the CE, and report to the NPCSC for approval or for the record.

Laws and Justice: Laws in Hong Kong consist of the Basic Law, locally enacted ordinances, subsidiary legislation, the common law, rules of equity and customary law. A few national laws of the PRC listed in Annex III to the Basic Law are also applicable (covering subjects such as 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 includes 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 Courts), the Coroner's Court, the Labour Tribunal, the Small Claims Tribunal, and the Obscene Articles Tribunal.

Public Finance: As at end-March 2020, the Government's fiscal reserves stood at \$1,160.3 billion. Estimated government revenue for 2020-21 amounts to \$572.5 billion. About 35 per cent of the revenue comes from direct taxes and 26 per cent from indirect taxes. Other sources of revenue include land premium, investment income and fees and charges.

Estimated public expenditure for 2020-21 amounts to \$773.1 billion, representing about 26.6 per cent of GDP. This includes government expenditure of \$731.1 billion and expenditure by the Housing Authority and the Trading Funds of \$42 billion. The major areas of public expenditure in the year are: social welfare (14.9 per cent), education (14.5 per cent) and health (12.6 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, small 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 3.5 per cent per annum in real terms. In 2019, GDP at current market prices amounted to \$2,865.7 billion, while per capita GDP has reached \$381,714.

Trade: The value of total trade (including merchandise imports, domestic exports and re-exports) in 2019 was \$8,404.1 billion, 5.4 per cent lower than that of 2018. The principal market for Hong Kong's total exports was the mainland of China which took 55 per cent of Hong Kong's total export value in 2019, followed by the United States of America (7.6 per cent), Japan (3 per cent), India (3 per cent) and Taiwan (2.2 per cent). The main suppliers of imports were the mainland of China (46.6 per cent), Taiwan (7.5 per cent), Singapore (6.6 per cent), Japan (5.7 per cent) and Korea (5.0 per cent).

Housing: As at the first quarter of 2020, there were a total of about 2.65 million households in Hong Kong, among which about 784 200 households or 2.12 million (around 29 per cent) of the Hong Kong population lived in public rental units of the Hong Kong Housing Authority (HA), and about 30 000 households or 77 800 persons lived in public rental units of the Hong Kong Housing Society (HKHS). Furthermore, about 386 900 households or 1.09 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 1.45 million households who were living in private housing, about 982 800 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 subsidized rates.

As at end of 2019, the total number of hospital beds were 41 474[#] distributed in 43 public hospital and institutions, and 12 private hospitals as well as 65 nursing homes and 20 Correctional Services Department hospitals. The bed-

population ratio was 5.5 beds per thousand population. At the same time, there were 15 004 registered doctors and 10 173 registered Chinese medicine practitioners listed in Hong Kong.

Education: In the 2019/20 school year, there were 1 049 kindergartens, 587 primary schools and 504 secondary schools. Enrolment in kindergarten was 174 297, with another 373 228 and 327 394 in primary and secondary schools respectively. The student enrolment of the University Grants Committee (UGC) funded programmes offered by the eight UGC-funded universities in the 2019/20 academic year was 95 990. The student enrolment of locally-accredited self-financing post-secondary programmes (except the Vocational Training Council) at sub-degree or above level was 64 572. For the Vocational Training Council, the student enrolment of the pre-employment programmes in the 2018/19 academic year was 51 390. The Government introduced the New Academic Structure (NAS) covering three-year junior secondary, three-year senior secondary and four-year higher education. The three-year senior secondary education under the NAS has been implemented since September 2009 and the four-year undergraduate programmes have been implemented since September 2012.

Social Welfare: The Social Welfare Department and non-governmental organisations (including 169 subvented welfare organisations) provide a full range of welfare services through about 3 320 agreement service units. Services include social security, family and child welfare, medical social work, group and community work, services for young people, elderly services, rehabilitation services for the disabled, services for offenders, and clinical psychological service. The department provides a 24-hour hotline giving information on social welfare services. Social workers are also available round the clock to provide immediate telephone counselling, support and referral services.

Transportation: *Sea:* In 2019, there were about 323 000 vessel arrivals and departures at Hong Kong Port, involving 263 million tonnes of cargo and 18.2 million cross-boundary ferry and cruise passenger journeys. The three marine ferry terminals operated by Marine Department provided cross-boundary ferry services to/from the Mainland and Macao by jetfoils and catamarans. About 7.2 million passenger journeys arrived at and 7.3 million passenger journeys departed from these three terminals during the year.

Road: In 2019, there are 2 127 kilometres of roads with a total number of 794 366 licensed vehicles and government vehicles, a density of 373 vehicles per kilometre. Three cross-harbour tunnels link Hong Kong Island and Kowloon. As at end 2019, about 6 177 franchised buses and more than 4.09 million daily passenger journeys were recorded during the year. There were 4 350 public light buses, 18 163 taxis and 168 tram cars.

Railways: The railway system in Hong Kong is operated and managed by the Mass Transit Railway (MTR) Corporation Limited. 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 (Hung Hom – Lo Wu/Lok Ma Chau), West Rail Line (Tuen Mun – Hung Hom), Ma On Shan Line (Wu Kai Sha – Tai Wai) and Disneyland Resort Line (Sunny Bay – Disneyland Resort). There are 91 stations along the 187.4 kilometre route. 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.

Besides, the MTR also provides intercity through train services between Hong Kong and the Mainland (including Beijing, Shanghai, Guangzhou and other cities), and operates the Guangzhou-Shenzhen-Hong Kong Express Rail Link (Hong Kong Section) connecting Hong Kong to the national high speed rail network. In 2019, the entire railway system carried an average of 5.1 million passengers each day.

Air: Hong Kong International Airport is among the busiest airports in the world, with around 120 airlines operating direct services to around 220 destinations worldwide. In 2019/20 fiscal year, it handled over 60.7 million international passengers, about 4.59 million tonnes of air cargo and around 380 000 air traffic movements.

Telecommunications: As at February 2020, the fully digitalised telephone systems serve 4 million telephone lines. The mobile telecommunication systems serve 23.3 million subscriptions, a penetration rate^{##} of about 277.3 mobile customers per 100 inhabitants, which is one of the highest in the world. With 23.07 million subscriptions of the third generation (3G) and fourth generation (4G) mobile services, consumers enjoy high-speed mobile multi-media services. Mobile data usage recorded 66 636 Terabytes (i.e. 66 635 665 Gigabytes), or an average of about 8 878 Mbytes per capita^{##}. This represents 1.36 times the mobile data usage over the same period in 2019. In April 2020, the fifth generation (5G) mobile services were commercially launched, bringing more innovative communications services and applications to consumers. The local broadband Internet service market had 2.79 million subscriptions. The household broadband penetration rate has reached 93.7 per cent.

Hong Kong is also one of the leading wireless cities in the world with 62 085 hotspots, covering 13 595 locations which enable the public to access the Internet via Wi-Fi.

Banks: Hong Kong is an international banking centre. As at May 2020, there were 163 licensed banks, 17 restricted licence banks and 13 deposit-taking companies in Hong Kong. Together they operated a comprehensive network of 1 245 local branches. There were also 42 representative offices of banks incorporated outside Hong Kong. These institutions come from 34 economies and include 78 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 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. Salaries tax is however limited to the standard rate of 15 per cent on the net income before deduction of allowances. 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 has one of the highest newspaper readerships in Asia. It is also one of the world's largest centres for Chinese-language publications. There were a total of 603 local newspapers and periodicals registered as at May 2020, 86 of which were newspapers including 55 Chinese-language dailies and 14 English dailies. There were 517 periodicals covering a wide variety of subjects from public affairs/politics to technical matters and entertainment.

Hong Kong's television viewers can access to over 400 domestic and non-domestic television programme service channels broadcast by local licensees. These include 12 free-to-air channels currently provided by three domestic free television programme service licensees, more than 300 pay TV channels provided by two domestic pay television programme service licensees, and over 40 non-domestic television programme service channels. Three radio stations in Hong Kong have 13 channels, which are broadcast in Chinese and English and comprise more than 2 000 hours of programmes a week.

[#] The number of hospital beds includes all hospital beds in Hospital Authority hospitals, private hospitals, nursing homes and correctional institutions, which follows the coverage of the Hospitals, Nursing Homes and Maternity Homes Registration Ordinance (Cap. 165) of Hong Kong. The bed-population ratio may not be directly comparable with figures for other countries.

^{##} Calculations of mobile penetration rate and mobile data usage per capita do not include machine type connections.