

## Coming to Hong Kong

Hong Kong, with a population of about 7.31 million in mid-2015, 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 up to 93 per cent of Hong Kong's Gross Domestic Product (GDP) in recent years.

**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 for 50 years. 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 from geographical constituencies, 35 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 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.

To attain the ultimate aim of selecting the CE by universal suffrage provided for in the Basic Law, after conducting two rounds of extensive and systematic public consultations which lasted for a total of seven months, the HKSAR Government put forward a package of proposals for the method for selecting the CE by universal suffrage. The proposals are constitutionally in order, lawful, reasonable and rational. On 18 June 2015, the motion moved by the HKSAR Government to amend the method for the selection of the CE was vetoed by the LegCo. The method for selecting the fourth-term CE in 2012 will continue to be adopted to select the fifth-term CE in 2017, i.e., the CE is to be elected by a 1 200-member Election Committee.

**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 Labour Tribunal, the Small Claims Tribunal, the Obscene Articles Tribunal and the Coroner's Court.

**Public Finance:** As at end-March 2016, the Government's fiscal reserves stood at \$842.9 billion. Estimated government revenue for 2016-17 amounts to \$498.3 billion. About 41 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 2016-17 amounts to \$525.4 billion, representing about 21.2 per cent of GDP. This includes government expenditure of \$486.9 billion and expenditure by the Housing Authority and the Trading Funds of \$38.5 billion. The major areas of public expenditure in the year are: education (16 per cent), social welfare (13.8 per cent) and health (14.8 per cent).

**Economy:** The success of Hong Kong as a leading trade, finance and business centre stems from a policy of free enterprise and trade, industrious work-force, well-developed infrastructure and excellent telecommunications. Over the past 20 years, the Hong Kong economy has grown by an average annual rate of 3.4 per cent per annum in real terms. In 2015, GDP at current market prices amounted to \$2,402.5 billion, while per capita GDP has reached \$328,854.

**Trade:** The value of total trade (including merchandise imports, domestic exports and re-exports) in 2015 was \$7,651.7 billion, 3 per cent lower than that of 2014. The principal market for Hong Kong's total exports was the mainland of China which took 53.7 per cent of Hong Kong's total export value in 2015, followed by the United States of America (9.5 per cent), Japan (3.4 per cent), India (2.8 per cent) and Vietnam (2.1 per cent). The main suppliers of imports were the mainland of China (49 per cent), Taiwan (6.8 per cent), Japan (6.4 per cent), Singapore (6.1 per cent) and the United States of America (5.2 per cent).

**Housing:** As at 31 March 2016, there were a total of about 2.48 million households in Hong Kong, among which about 737 200 households or 2.06 million (around 28 per cent) of the Hong Kong population lived in public rental units of the Hong Kong Housing Authority (HA), and about 31 000 households or 81 800 persons lived in public rental units of the Hong Kong Housing Society (HKHS). Furthermore, about 388 700 households or 1.2 million (roughly 17 per cent) of the Hong Kong population lived in subsidised sale flats of the HA and the HKHS. In other words, almost half of the households in Hong Kong are living in housing units with government subsidies. Of the remaining 1.33 million households who were living in private housing, about 875 600 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 advice and treatment have to be paid for. However, government medical services are available to all residents at a nominal charge.

As at end-December 2015, the total number of hospital beds were 38 287<sup>#</sup> distributed in 42 public hospital and institutions, and 11 private hospitals as well as 59 nursing homes and 21 Correctional Services Department hospitals. The bed-population ratio was 5.2 beds per thousand population. At the same time, there were 13 726 registered doctors, 7 062 registered Chinese medicine practitioners and 2 656 listed Chinese medicine practitioners in Hong Kong, equivalent to 1.9 registered doctors, 1 registered Chinese medicine practitioners and 0.4 listed Chinese medicine practitioners per thousand population respectively.

**Education:** In the 2015/16 school year, there were 1 000 kindergartens, 572 primary schools and 506 secondary schools. Enrolment in kindergarten was 185 398, with another 337 558 and 352 609 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 2015/16 academic year was 99 257. The student enrolment of locally-accredited self-financing post-secondary programmes (except the Vocational Training Council) at sub-degree or above level was 66 329. For the Vocational Training Council, the student enrolment of the pre-employment programmes in the 2014/15 academic year was 57 500. The Government has introduced a New Academic Structure (NAS) that covers three years of junior secondary education, three in senior secondary and four at university. The 3-year senior secondary education under the NAS has been implemented in S4 since September 2009 and the 4-year undergraduate programmes have been implemented since September 2012.

**Social Welfare:** The Social Welfare Department and non-governmental organisations (including 170 subvented welfare organisations) provide a full range of welfare services through about 2 900 agreement service units. Services include social security, family and child welfare, medical social work, group and community work, services for young people, services for the elderly, rehabilitation services for the disabled, and services for offenders. The department operates a 24-hour hotline providing 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 2015, there were about 376 040 vessel arrivals and departures at Hong Kong Port, involving 257 million tonnes of cargo and 30.3 million cross-boundary ferry and cruise passenger journeys.

During the year, there were about 11.5 million passenger journeys from the Mainland and Macao on board jetfoils and catamarans to disembark at the China Ferry Terminal in Tsim Sha Tsui and the Hong Kong-Macao Ferry Terminal in Sheung Wan. About 14.2 million passenger journeys were made by outbound ferry trips in the two terminals.

**Road:** In 2015, there are 2 101 kilometres of roads with a total number of 728 263 licensed vehicles and government vehicles, a density of 347 vehicles per kilometre. Three cross-harbour tunnels link Hong Kong Island and Kowloon. As at end 2015, about 5 865 franchised buses and more than 3.92 million daily passenger journeys were recorded during the year. There were large fleets of minibuses and taxis, and 166 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 – Yau Ma Tei), Tsuen Wan Line (Tsuen Wan – Central), Island Line (Chai Wan – Kennedy Town), 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 85 stations along the 177.4 kilometre route. The MTR also operates a 35.2 km Airport Express Line and a 36.2-kilometre Light Rail network which has 68 stops in the northwest New Territories. Light Rail feeder bus services provide rail passengers with a more comprehensive service network. The entire system carries an average of 5 million passengers each day.

Besides, the MTR also provides cross-boundary through-train services between Hong Kong and Beijing, Shanghai and cities in Guangdong.

**Air:** Hong Kong International Airport is among the busiest in the world. There are about 100 airlines providing about 7 800 scheduled passenger and freight flights each week. In 2015, it handled over 68.5 million international passengers and 4.38 million tonnes of air cargo.

**Telecommunications:** As at February 2016, the fully digitalised telephone systems serve nearly 4.22 million telephone lines. The mobile telephone systems serve over 16.75 million subscribers (as of February 2016), a penetration rate of about 228.7 subscribers per 100 inhabitants, which is one of the highest in the world. With 14.49 million subscribers, the third generation (3G) and fourth generation (4G) mobile service continues to grow, enabling consumers to enjoy high-speed mobile multi-media services. Other than basic voice services, data services are becoming popular among consumers. As at February 2016, mobile data usage recorded 19 381 Terabytes (i.e. 19 381 059 Gigabytes), or an average of 1 294 Mbytes per 2.5G/3G/4G mobile user. This represents 1.29 times and 1.75 times the mobile data usage over the same period in 2015 and 2014 respectively. The local broadband Internet service market has nearly 2.35 million subscribers as at February 2016. The household broadband penetration rate has reached 84 per

cent. Hong Kong has also developed into a leading wireless city with 41 264 hotspots (as of April 2016) covering 9 377 locations which enable the public to access the Internet via Wi-Fi.

**Banks:** Hong Kong is an international banking centre. As at April 2016, there were 156 licensed banks, 24 restricted licence banks and 18 deposit-taking companies in Hong Kong. Together they operated a comprehensive network of 1 318 local branches. There were also 61 representative offices of banks incorporated outside Hong Kong. These institutions come from 35 economies and include 74 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. For the year of assessment 2015/16, the profits tax rate for corporations is 16.5 per cent and that for other businesses is 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 719 publications registered as at May 2016, 52 of which were newspapers including 25 Chinese-language dailies and 12 English dailies. There were 667 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 8 free-to-air channels currently provided by two domestic free television programme service licensees, about 400 pay TV channels provided by three domestic pay television programme service licensees, and over 40 non-domestic television programme service channels. Four radio stations in Hong Kong have 28 channels. These include 13 analogue channels which are broadcast in Chinese and English and comprise more than 2 000 hours of programmes a week. Hong Kong has two commercial Digital Audio Broadcasting (DAB) operators as at early 2016. Together with RTHK, they provide a total of 15 DAB channels.

# 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.

\* On May 31, 2016, the Government granted domestic free television programme service licence to a new operator. The new operator is required under its licence to commence service within 12 months after the grant of licence, i.e. by May 30, 2017.



