

Coming to Hong Kong

Hong Kong, with a population of about 7.34 million in mid-2016, 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.

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 2017, the Government's fiscal reserves stood at \$953.7 billion. Estimated government revenue for 2017/18 amounts to \$507.7 billion. About 41 per cent of the revenue comes from direct taxes and 25 per cent from indirect taxes. Other sources of revenue include land premium, investment income and fees and charges.

Estimated public expenditure for 2017/18 amounts to \$531.8 billion, representing about 20.4 per cent of GDP.

This includes government expenditure of \$491.4 billion and expenditure by the Housing Authority and the Trading Funds of \$40.4 billion. The major areas of public expenditure in the year are: education (16.5 per cent), social welfare (15.1 per cent) and health (13.2 per cent).

Economy: Hong Kong has developed into a leading international trade, finance and business centre, underpinned by areas of strength such as mature institutional framework, level playing field for all, small and efficient government, simple and low tax rates, 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 3.3 per cent per annum in real terms. In 2016, GDP at current market prices amounted to \$2,491 billion, while per capita GDP has reached \$339,531.

Trade: The value of total trade (including merchandise imports, domestic exports and re-exports) in 2016 was \$7,596.6 billion, 0.7 per cent lower than that of 2015. The principal market for Hong Kong's total exports was the mainland of China which took 54.2 per cent of Hong Kong's total export value in 2016, followed by the United States of America (9 per cent), Japan (3.3 per cent), India (3.3 per cent) and Taiwan (2.1 per cent). The main suppliers of imports were the mainland of China (47.8 per cent), Taiwan (7.3 per cent), Singapore (6.5 per cent), Japan (6.2 per cent) and the United States of America (5.2 per cent).

Housing: As at 31 March 2017, there were a total of about 2.51 million households in Hong Kong, among which about 746 800 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 31 300 households or 81 300 persons lived in public rental units of the Hong Kong Housing Society (HKHS). Furthermore, about 380 200 households or 1.2 million (roughly 16 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 1.35 million households who were living in private housing, about 871 000 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 2016, the total number of hospital beds were 39 090[#] distributed in 42 public hospital and institutions, and 11 private hospitals as well as 63 nursing homes and 21 Correctional Services Department hospitals. The bed-population ratio was 5.3 beds per thousand

population. At the same time, there were 14 013 registered doctors, 7 309 registered Chinese medicine practitioners and 2 647 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 2016/17 school year, there were 1 014 kindergartens, 575 primary schools and 506 secondary schools. Enrolment in kindergarten was 184 032, with another 349 008 and 338 152 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 2016/17 academic year was 99 817. The student enrolment of locally-accredited self-financing post-secondary programmes (except the Vocational Training Council) at sub-degree or above level was 64 640. For the Vocational Training Council, the student enrolment of the pre-employment programmes in the 2015/16 academic year was 57 200. 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 2016, there were about 370 990 vessel arrivals and departures at Hong Kong Port, involving 257 million tonnes of cargo and 29.1 million cross-boundary ferry and cruise passenger journeys. During the year, there were about 11.3 million passenger journeys from the Mainland and Macao on board jetfoils and catamarans to disembark at the China Ferry Terminal in Tsim Sha Tsui, the Hong Kong-Macao Ferry Terminal in Sheung Wan and the Tuen Mun Ferry Terminal in Tuen Mun. About 13.6 million passenger journeys were made by outbound ferry trips in the three terminals.

Road: In 2016, there are 2 107 kilometres of roads with a total number of 745 677 licensed vehicles and government vehicles, a density of 351 vehicles per kilometre. Three cross-harbour tunnels link Hong Kong Island and Kowloon. As at end 2016, about 5 916 franchised buses and more than 3.96 million daily passenger journeys were recorded during the year. There were large fleets of minibuses and taxis, and 167 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 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 4.88 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 over 110 airlines providing about 7 800 scheduled passenger and freight flights each week. In 2016, it handled over 70.5 million international passengers and 4.52 million tonnes of air cargo.

Telecommunications: As at April 2017, the fully digitalised telephone systems serve nearly 4.2 million telephone lines. The mobile telephone systems serve 17.42 million subscribers (as of April 2017), a penetration rate of about 236.2 subscribers per 100 inhabitants, which is one of the highest in the world. With 15.83 million subscribers, the third generation (3G) and fourth generation (4G) mobile services continue to grow, enabling consumers to enjoy high-speed mobile multimedia services. Other than basic voice services, data services are popular among consumers. As at April 2017, mobile data usage recorded 24 060 Terabytes (i.e. 24 060 376 Gigabytes), or an average of 1 499 Mbytes per 2.5G/3G/4G mobile user. This represents 1.09 times and 1.39 times the mobile data usage over the same period in 2016 and 2015 respectively. The local broadband Internet service market had nearly 2.63 million subscribers as at April 2017. The household broadband penetration rate has reached 93 per cent. Hong Kong is also one of the leading wireless cities in the world with 45 704 hotspots (as of June 2017) covering 11 122 locations which enable the public to access the Internet via Wi-Fi.

Banks: Hong Kong is an international banking centre. As at June 2017, there were 155 licensed banks, 21 restricted licence banks and 17 deposit-taking companies in Hong Kong. Together they operated a comprehensive network of 1 268 local branches. There were also 52 representative offices of banks incorporated outside Hong Kong. These institutions come from 36 economies and include 75 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 2016/17, 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 688 publications registered as at June 2017, 55 of which were newspapers including 28 Chinese-language dailies and 12 English dailies. There were 633 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 11 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 50 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.

