

Hong Kong, with a population of about 7.39 million in mid-2017, 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 2017, services sector constituted up to 92 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 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 2018, the Government's fiscal reserves stood at \$1,102.9 billion. Estimated government revenue for 2018-19 amounts to \$604.5 billion. About 36 per cent of the revenue comes from direct taxes and 28 per cent from indirect taxes. Other sources of revenue include land premium, investment income and fees and charges.

Estimated public expenditure for 2018-19 amounts to \$610.3 billion, representing about 21.6 per cent of GDP. This includes government expenditure of \$569.6 billion and expenditure by the Housing Authority and the Trading Funds of \$40.7 billion. The major areas of public expenditure in the year are: education (18.6 per cent), social welfare (15.2 per cent) and health (12.8 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 tax regime with 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 2017, GDP at current market prices amounted to \$2,661 billion, while per capita GDP has reached \$359,996.

Trade: The value of total trade (including merchandise imports, domestic exports and re-exports) in 2017 was \$8,232.9 billion, 8.4 per cent higher than that of 2016. The principal market for Hong Kong's total exports was the mainland of China which took 54.3 per cent of Hong Kong's total export value in 2017, followed by the United States of America (8.5 per cent), India (4.1 per cent), Japan (3.3 per cent) and Taiwan (2.3 per cent). The main suppliers of imports were the mainland of China (46.6 per cent), Taiwan (7.6 per cent), Singapore (6.6 per cent), Japan (5.8 per cent) and Korea (5.8 per cent).

Housing: As at the third quarter of 2018, there were a total of about 2.58 million households in Hong Kong, among which about 773 500 households or 2.09 million (around 28 per cent) of the Hong Kong population lived in public rental units of the Hong Kong Housing Authority (HA), and about 30 400 households or 73 700 persons lived in public rental units of the Hong Kong Housing Society (HKHS). Furthermore, about 387 100 households or 1.15 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 1.39 million households who were living in private housing, about 888 600 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 2017, the total number of hospital beds were 39 683[#] distributed in 42 public hospital and institutions, and 12 private hospitals as well as 65 nursing

homes and 21 Correctional Services Department hospitals. The bed-population ratio was 5.4 beds per thousand population. At the same time, there were 14 290 registered doctors, 7 425 registered Chinese medicine practitioners and 2 623 listed Chinese medicine practitioners in Hong Kong, equivalent to 1.9 registered doctors, 1 registered Chinese medicine practitioner and 0.4 listed Chinese medicine practitioner per thousand population respectively.

Education: In the 2017/18 school year, there were 1 030 kindergartens, 581 primary schools and 506 secondary schools. Enrolment in kindergarten was 181 147, with another 362 049 and 330 804 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 2017/18 academic year was 95 422. The student enrolment of locally-accredited self-financing post-secondary programmes (except the Vocational Training Council) at sub-degree or above level was 63 878. For the Vocational Training Council, the student enrolment of the pre-employment programmes in the 2016/17 academic year was 56 380. 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 169 subvented welfare organisations) provide a full range of welfare services through about 2 960 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 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 2017, there were about 372 610 vessel arrivals and departures at Hong Kong Port, involving 282 million tonnes of cargo and 29.2 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 11.1 million passenger journeys arrived at and 13.9 million passenger journeys departed from these three terminals during the year.

Road: In 2017, there are 2 112 kilometres of roads with a total number of 766 200 licensed vehicles and government vehicles, a density of 363 vehicles per kilometre. Three cross-harbour tunnels link Hong Kong Island and Kowloon. As at end 2017, about 6 663 franchised buses and more than 3.97 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 187.4 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. MTR bus services provide rail passengers with a more comprehensive service network. In 2017, the entire MTR system carries an average of 5.48 million passengers each day.

Besides, the MTR also provides cross-boundary train services between Hong Kong and the mainland (including Beijing, Shanghai, Guangzhou and other cities).

Air: Hong Kong International Airport is among the busiest in the world, with over 120 airlines operating direct services to over 220 destinations worldwide. In 2017/18 fiscal year, it handled over 73 million international passengers, over 4.98 million tonnes of air cargo and more than 420 000 air traffic movements.

Telecommunications: As at August 2018, the fully digitalised telephone systems serve nearly 4.1 million telephone lines. The mobile telephone systems serve 18.59 million subscribers (as of April 2018), a penetration rate of about 250.8 subscribers per 100 inhabitants, which is one of the highest in the world. With 17.22 million subscribers, the third generation (3G) and fourth generation (4G) mobile services continue to grow, enabling consumers to enjoy high-speed mobile multi-media services. Other than basic voice services, data services are popular among consumers. As at April 2018, mobile data usage recorded 40 582 Terabytes (i.e. 40 581 891 Gigabytes), or an average of 5 474 Mbytes per capita. This represents 1.68 times the mobile data usage over the same period in 2017. The local broadband Internet service market had nearly 2.68 million subscribers as at August 2018. The household broadband penetration rate has reached 92 per cent. Hong Kong is also one of the leading wireless cities in the world with 56 577 hotspots (as of August 2018) covering 14 371 locations which enable the public to access the Internet via Wi-Fi.

Banks: Hong Kong is an international banking centre. As at November 2018, there were 152 licensed banks, 18 restricted licence banks and 17 deposit-taking companies in Hong Kong. Together they operated a comprehensive network of 1288 local branches. There were also 48 representative offices of banks incorporated outside Hong Kong. These institutions come from 35 economies and include 77 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. Profits above that amount 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 642 publications registered as at November 2018, 80 of which were newspapers including 50 Chinese-language dailies and 12 English dailies. There were 562 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 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.

