

Economy



- Sustained economic growth and development is crucial to the improvement of people's livelihood. It provides not only job opportunities to and raises the living standard of our citizens, but also provides fiscal resources necessary for enhancing social services.
- Gross Domestic Product (GDP) expanded by 2.1% in real terms year-on-year in the first quarter of 2015. The economy is in a state of full employment, with the unemployment rate staying at a low level of 3.2%. Underlying consumer price inflation eased to 2.6% in the first five months of 2015.
- The financial services industry is one of the pillars of Hong Kong's economic development. It constitutes about 16.5% of Hong Kong's GDP. We see profound development potential in the financial services industry. As long as Hong Kong continues to capitalise on the combined advantages of "One Country, Two Systems", i.e. with the staunch support of the Country and the legal and financial systems different from those of the Mainland, and leverage Hong Kong's unique role as the "super-connector" between the Mainland and the rest of the world, we will be able to further enhance Hong Kong's status as China's international financial centre.
- Our financial services industry has continued to develop and thrive. Launched in November 2014, Shanghai-Hong Kong Stock Connect enables eligible individual and institutional investors in one market to participate in cross-border transactions with the other market. Shanghai-Hong Kong Stock Connect has been operating smoothly since its launch. It represents a milestone in the establishment of mutual access between the two capital markets. To move towards fuller mutual access for the capital markets of the two places, we have discussed with the relevant authorities of the Central Government the launch of Shenzhen-Hong Kong Stock Connect and the enhancement of Shanghai-Hong Kong Stock Connect. The launch of Shanghai-Hong Kong Stock Connect has further enhanced the liquidity of the offshore Reminbi (RMB) market in Hong Kong and reinforced Hong Kong's position as the global offshore RMB business hub. As at end-April 2015, RMB deposits and outstanding RMB certificates of deposit totalled RMB 1,070.9 billion, accounting for about 50% to 60% of the global offshore pool of RMB liquidity. In the first four months of 2015, RMB trade settlement conducted through Hong Kong amounted to RMB 2,110.4 billion, an increase of 8% over the same period last year. In the first quarter of 2015, the average daily turnover on Hong Kong's RMB Real Time Gross Settlement system amounted to about RMB 880 billion.
- The Hong Kong Securities and Futures Commission and the China Securities Regulatory Commission signed in May 2015 a Memorandum of Regulatory Cooperation which provides for mutual recognition of funds between the Mainland and Hong Kong. The arrangement will be implemented on 1 July 2015. This is the first mutual recognition of funds arrangement between the Mainland and a market outside the Mainland, another major breakthrough for the financial market after the launch of Shanghai-Hong Kong Stock Connect. According to the arrangement, qualified Mainland and Hong Kong funds may offer directly to retail investors in each other's market after obtaining authorisation or approval by the relevant regulators under streamlined procedures. The arrangement will help the Mainland and Hong Kong build a mutual recognition platform for funds and broaden cross-border investment channels.
- Two US dollar-denominated sukuk, with an issuance size of US\$1 billion each and a tenor of five years, were issued under the Government Bond Programme in September 2014 and May 2015 respectively. The success of the two issuances demonstrates not only the viability of sukuk issuance using Hong Kong's platform, but also the recognition among international investors of Hong Kong's economic fundamentals and financial structure.
- The Clearing and Settlement Systems (Amendment) Bill 2015 was introduced into the Legislative Council (LegCo) in February 2015, with a view to empowering the Hong Kong Monetary Authority to regulate stored value facilities and retail payment systems to enhance financial stability and user protection, and foster the innovation and development of the industry.
- Put in place legislation to waive the stamp duty for the transfer of shares or units of all exchange traded funds (ETF) in February 2015 to foster Hong Kong's position as an asset management centre. This is conducive to the development of the ETF market in Hong Kong. In addition, the LegCo Bills Committee completed in May 2015 the scrutiny of the Inland Revenue (Amendment) Bill 2015, which seeks to extend the profits tax exemption for offshore funds to private equity funds. We expect the Bill be passed by LegCo in July this year and the relevant tax exemption will take effect soon afterwards.
- Put in place legislation in March 2015 to provide for a legal framework to enable the development of an uncertificated securities market regime in Hong Kong. It helps increase overall market efficiency and competitiveness, enhance corporate governance and secure an improved level of investor choice and protection.

- Preparing an amendment bill to introduce a core fund with fee control, as the default fund of each Mandatory Provident Fund (MPF) scheme. The core fund is to ensure that all MPF scheme members have access to a standardised, low-fee investment product that is designed in a manner consistent with the overall objective of retirement savings. We plan to introduce the bill into LegCo by late 2015.
- At present, there are over 700 maritime-related companies operating in Hong Kong, forming a maritime cluster and providing a comprehensive range of services, especially high value-added maritime services including ship management, broking, finance, marine insurance, law and arbitration. With China emerging as a major maritime nation and following the recent announcement of the "One Belt One Road" development vision, Hong Kong will capitalise on its advantages as a regional hub to play the role of the "super-connector", by serving as the platform for Mainland maritime companies to "go global" and providing professional services for overseas maritime companies to tap into the Mainland market. This will help drive the further development of high value-added maritime services in Hong Kong.
- Commissioned an expert study in July 2014 to look into the scope of work and organisation of the proposed new maritime body, so as to ascertain its business and financial sustainability.
- Launched the Maritime and Aviation Internship Network in July 2014. With funding support of some \$2 million, over 250 tertiary students were provided with summer internships in the maritime and aviation industries, so as to enhance their understanding of the two industries and their career prospects. The Network will be re-run in 2015.
- Increased funding and provided \$5 million in April 2015 to support the work of the Hong Kong Maritime Industry Council for the next two years, namely policy-related research and enhanced promotion activities in the Mainland and overseas, including visiting Hamburg, Germany in April 2015, so as to attract more maritime enterprises to Hong Kong.
- Strengthened economic and trade co-operation with emerging markets. Hong Kong commenced formal negotiation of a free trade agreement (FTA) with the Association of Southeast Asian Nations in July 2014; and implemented the FTA with Chile in October 2014. In December of the same year, the Financial Secretary led a business delegation to Saudi Arabia and the United Arab Emirates.
- Announced the conclusion of negotiation on Investment Promotion and Protection Agreement with Canada in May 2015. The Agreement will help enhance investment flows between Hong Kong and Canada and boost the local economy.
- Fully liberalised Hong Kong's textiles control measures in November 2014 to facilitate trade.
- Hong Kong, China became the first World Trade Organization (WTO) Member to join the WTO Trade Facilitation Agreement (TFA) in December 2014. The TFA aims to improve and harmonise the import/export and customs procedures of WTO Members, which will reduce the costs in trading. The TFA will come into force upon acceptance by two-thirds of WTO Members.
- The Hong Kong Special Administrative Region Government (HKSARG) and the Ministry of Commerce signed the Agreement between the Mainland and Hong Kong on Achieving Basic Liberalisation of Trade in Services in Guangdong under the framework of CEPA in December 2014. The Agreement enabled early realisation of basic liberalisation of trade in services in Guangdong province, thereby deepening the cooperation in trade in services between Guangdong and Hong Kong, as well as setting a model for achieving the goal of basic liberalisation of trade in services between the entire Mainland and Hong Kong in 2015.
- Established the Hong Kong-Fujian Co-operation Conference in January 2015 to enhance the exchanges and co-operation between Hong Kong and Fujian and to promote the development of the two places.
- Set up a liaison unit each in Liaoning and Shandong for the Beijing Office and the Shanghai Economic and Trade Office of the HKSARG in December 2014 and April 2015 respectively. Plan to set up a liaison unit in the central region of the Mainland next year to better assist Hong Kong residents and enterprises in capitalising on the development opportunities in the Mainland.
- Upon HKSARG's request, the Central Government announced on 13 April 2015 an adjustment to the "multiple-entry" Individual Visit Endorsements for permanent residents of Shenzhen by replacing it with the "one trip per week" Individual Visit Endorsements with immediate effect. The new measure will enhance HKSARG's effectiveness in cracking down parallel trading activities, and lessen the impact of substantial increase in visitor arrivals on some local districts.

- After reviewing the Hotel and Guesthouse Accommodation Ordinance, the public was widely consulted on a series of proposals to enhance the guesthouse licensing regime and strengthen enforcement capacities against unlicensed guesthouses. The amendment bill is expected to be introduced into the LegCo within this year.
- Continued to pursue the establishment of the Innovation and Technology Bureau. The subsidiary legislation for transferring the relevant statutory functions was passed by LegCo in October 2014. Due to filibustering by some of the LegCo Members, the relevant staffing and funding proposals could not be approved by the Finance Committee by the end of 2014-15 financial year. Hence the new Bureau has yet to be established. The updated relevant subsidiary legislation was passed by LegCo again in June 2015, and the staffing and funding proposals were re-submitted to the Finance Committee in the same month. We hope that the Innovation and Technology Bureau can be set up as soon as possible with a view to promoting the development of the relevant sectors as well as our economy as a whole.
- The Chief Executive appointed the Advisor to the Chief Executive on Innovation and Technology (I&T) to render advice on the strategy for developing I&T in March 2015. In April 2015, the Steering Committee on I&T was re-organised into the Advisory Committee on I&T. Chaired by the Advisor to the Chief Executive on I&T, the Advisory Committee advises the Government on the strategic and developmental enhancements of I&T in Hong Kong, with a focus on making the best use of the advantages of "One Country" and "Two Systems" and further strengthening the co-ordination among the government, industry, academia and research sectors.
- Announced in April 2015 the implementation of the revised Industrial Estate Programme and proceeded to study the construction and management of specialised multi-storey industrial buildings in industrial estates by the Hong Kong Science and Technology Parks Corporation for rental, so as to enhance the value chain of I&T industries in Hong Kong and further optimise the use of land in the 3 existing industrial estates.
- Injected \$5 billion into the Innovation and Technology Fund (ITF) in February 2015 and subsumed the Research and Development Cash Rebate Scheme under the ITF to provide sustained and comprehensive support for I&T development.
- Launched the new Enterprise Support Scheme under ITF in April 2015 to encourage local private sector investment in research and development activities. The Scheme is open to companies of all sizes, and each approved project may receive up to \$10 million in government funding on a dollar-for-dollar matching basis. Also, recoupment of government's contribution is not required.
- Further extended the application period of the special concessionary measures under the SME Financing Guarantee Scheme to end-February 2016, so as to continue assisting local enterprises in obtaining commercial loans. At end-May 2015, more than 10 100 applications had been approved with a total loan guarantee amount of more than \$33.1 billion.
- Announced in February 2015 the launch of a series of pilot measures in the next 3 years to promote the sustained development of the fashion industry through promoting Hong Kong's fashion designers and brands through improving local fashion events and participating in those held overseas; rolling out an incubation programme for up-and-coming fashion design start-ups; providing fashion design graduates with overseas internships and study opportunities; subsidising participation in international competitions and exhibitions, etc.. The measures are expected to involve existing and new resources of around \$500 million.
- In September 2014, Singapore became the third place, after Korea and Germany, to implement the mutual use of automated immigration clearance services (e-gate) with Hong Kong to provide greater travel convenience for residents.
- An effective dispute resolution regime is essential to maintaining our competitiveness regionally and internationally. Hong Kong enjoys strong competitive advantages in providing dispute resolution service. With a wealth of professional talents, the presence of world class dispute resolution institutions and facilities, and backed up by a modern legislative regime, Hong Kong is well-placed to be a leader in dispute resolution service in the Asia Pacific region. As part of Hong Kong's service industries, our dispute resolution service, including arbitration and mediation, will continue to enhance Hong Kong's competitiveness and contribute to our GDP growth.
- The Central Government and HKSARG signed a host country agreement and a related memorandum of administrative arrangements respectively with the Permanent Court of Arbitration (PCA) based in the Hague in January 2015, so as to facilitate the conduct of PCA-administered dispute settlement proceedings, in particular state-investor disputes involving one or more parties from Asia, in Hong Kong. This will enhance Hong Kong's attractiveness as a venue for international investment arbitrations.

- The China Maritime Arbitration Commission (CMAC) Hong Kong Arbitration Centre, which is CMAC's first centre outside the Mainland, was inaugurated in Hong Kong in November 2014 to provide international maritime arbitration services. CMAC's presence in Hong Kong would enhance Hong Kong's role in the resolution of maritime disputes and our position as a leading centre for international legal and dispute resolution services in the Asia Pacific region.
- The Advisory Committee on Promotion of Arbitration was set up in December 2014 to advise on and to co-ordinate the overall strategic planning for the development and promotion of Hong Kong's arbitration services at the international level. Chaired by the Secretary for Justice, the Advisory Committee has a membership comprising representatives from the legal, arbitration and relevant sectors in Hong Kong and will enable Hong Kong to respond more effectively to challenges and opportunities arising from its position as an international arbitration centre in the Asia Pacific Region.
- The Department of Justice published a Mediation Handbook for the administrators in the Government in January 2015 to provide practical guidance on the use of mediation for reference by civil servants, thereby building up a healthy mediation culture in the community and within the Government.
- Lantau adjoins the core business district of Hong Kong Island. With the commissioning of major infrastructures such as the Hong Kong-Zhuhai-Macao Bridge (HZMB), Tuen Mun-Chek Lap Kok Link and Airport Three-Runway System in the coming years, the gradual development of the western New Territories including Hung Shui Kui, Yuen Long South, etc. and the continued economic growth of the neighbouring cities in the western Pearl River Delta, the geographical position of Lantau looks very advantageous. Taking forward planning in the short, medium and long-terms for Lantau while balancing between development and conservation is not only beneficial to the local community and economic development of Lantau, but is also very important to the future social and economic development of Hong Kong.
- To plan for the development of Lantau, the Lantau Development Advisory Committee was established in January 2014 and, up to July 2014, has formulated proposed strategic positions and broad development directions. In parallel and up to mid-2015, the Government has commenced 3 topical studies. One of the studies on economic development strategy and market positioning of commercial land uses of Lantau will be completed in the third quarter of 2015. The remaining two studies, including the feasibility study on recreation and tourism development strategy and the preliminary studies on cable car system from Ngong Ping to Tai O and spa and resort development at Cheung Sha and Soko Islands, will be completed in the second and third quarter of 2016 respectively. In addition, the improvement works to local facilities at Tai O and Mui Wo and sharp road bends at south Lantau are being implemented progressively.
- The artificial island for the Hong Kong boundary crossing facilities (HKBCF) of the HZMB has an area of 130 hectares and will allow for the development of a "bridgehead economy", thereby creating commercial and employment opportunities. The Government commenced a topside development study for the HKBCF island in January 2015 which is expected to be completed in the first quarter of 2017.
- Hong Kong needs to continue expanding her existing lead industries and foster new industries. Through the diversification of our industries, we can create a more prosperous economy that provides our young people with the opportunity to put what they have learnt to good use and allow all to realise their potential. Our agricultural and fisheries industries, though modest in size, have been providing quality fresh produce well sought after by local citizens. Not only would the sustainable development of our agricultural and fisheries industries help meet the demand for fresh agricultural and fisheries produce, it would also bring economic benefits to Hong Kong.
- With a view to providing support for improving the competitiveness of the fisheries industry, the \$500 million Sustainable Fisheries Development Fund was open to applications in July 2014.
- The public consultation exercise on the new agricultural policy was completed in end-March 2015. There was general support for developments in the directions proposed by the Government, including the establishment of an Agricultural Park and the Sustainable Agricultural Development Fund, as well as strengthened support for farmers. Views received on how to implement the various initiatives are relatively diverse. The LegCo Panel on Food Safety and Environmental Hygiene also held a deputation session on 9 June 2015. The Government is examining the views collected and will map out detailed proposals and plans for taking forward the new policy as soon as possible.

