

# Hong Kong Update



Chief Executive of Hong Kong, Mr Donald Tsang, gave an address at a luncheon hosted by the HKETO Berlin, the Hong Kong Trade Development Council and the Swiss-Hong Kong Business Association in Zurich, Switzerland on 27 January 2012.

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## The Chief Executive of Hong Kong, Mr Donald Tsang, visited Switzerland in January 2012

The Chief Executive of Hong Kong, Mr Donald Tsang, visited Switzerland on 27-29 January 2012. On arrival in Zurich on 27 January, Mr Tsang gave a keynote speech at a luncheon co-organized by the Hong Kong Economic and Trade Office, Berlin (HKETO Berlin), the Swiss-Hong Kong Business Association and the Hong Kong Trade Development Council. Briefing some 80 guests including the Chinese Ambassador to the Swiss Confederation, H.E. WU Ken, senior government officials and the business community, Mr Tsang spoke about the achievements of the Hong Kong Special Administrative Region (HKSAR) in the last 15 years, Hong Kong's role as the centre for offshore Renminbi business, the latest economic

situation in Hong Kong and further opportunities to enhance Swiss-Hong Kong co-operation.

Travelling to Davos in the same evening, Mr Tsang met with the President of the Swiss Confederation cum Head of the Federal Department of Finance, Mrs Eveline Widmer-Schlumpf, at the President's chalet in Davos and updated her on the latest economic and political developments in Hong Kong as well as the Swiss-Hong Kong bilateral relations. Mr Tsang highlighted Hong Kong's role in the internationalisation of Renminbi and the advantages for Swiss companies to be listed in the Hong Kong Stock Exchange.

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On 28 January, Mr Tsang attended the World Economic Forum's annual meeting and spoke at the plenary session "Panel on Global Economic Outlook 2012". In his opening remarks and subsequent discussions, Mr Tsang shared Hong Kong's experience in balancing our books, having zero debt and virtually full employment. Noting that the world economy was facing big challenges and that no economy would be immune, he urged for decisive and quick actions. His candid remarks were warmly received by the floor. He also joined an Informal Gathering of World Economic Leaders and chaired a Business Interaction Group on Hong Kong in which he highlighted the attractiveness of Hong Kong as the place for initial public offering and foreign direct investment, as well as our role as the centre for offshore Renminbi business.

While in Davos, Mr Tsang also met with the Director-General of the World Trade Organization, Mr Pascal Lamy, reiterating Hong Kong's support for the multilateral trading system and that Hong Kong stood ready to contribute towards the successful conclusion of the Doha Round. The Secretary for Commerce and Economic Development, Mr Gregory So, also joined the meeting.

Mr Tsang was also interviewed by Mr Richard Quest of CNN International, Mr Jürgen Dünsch of the *Frankfurter Allgemeine Zeitung* and Tencent (qq.com), sharing his views on various topics including the global economic situation, the Euro debt crisis and his suggestions in tackling the crisis.

*During the plenary session of the World Economic Forum in Davos on 28 January 2012, Chief Executive of Hong Kong, Mr Donald Tsang (centre), shared his views on the global economy in 2012 and Hong Kong's experience in tackling financial crises in the past. Also pictured are Chancellor of the Exchequer of the United Kingdom, Mr George Osborne (left), and Managing Director of the International Monetary Fund, Ms Christine Lagarde.*



Chief Executive of Hong Kong, Mr Donald Tsang, met with President of the Swiss Confederation and Head of the Federal Department of Finance, Mrs Eveline Widmer-Schlumpf, in Davos on 27 January 2012.



## New Chief Executive for Hong Kong in July

Mr Leung Chun-ying, immediate past Convenor of the Executive Council of the Hong Kong Special Administrative Region, won the Chief Executive Election on 25 March 2012. On 28 March, the Central People's Government appointed him as Hong Kong's fourth term Chief Executive and Mr Leung will assume the office of the Chief Executive on 1 July 2012. An Office of the Chief Executive-elect has been set up to prepare for the new term of government.

Mr Leung pledged to promote social unity with humility, and to face up to the challenges ahead. He said he will uphold the principles of "One Country, Two Systems", "Hong Kong people ruling Hong Kong", and a high degree of autonomy.

"I will also safeguard the rule of law, advance democracy and foster social harmony, and build a more prosperous, just and progressive Hong Kong. I will live up to the expectations of the Central People's Government and the people of Hong Kong", Mr Leung said.



Chief Executive of Hong Kong, Mr Donald Tsang (right) greeted his successor, Chief Executive-elect Mr Chun-ying Leung, who will assume office on 1 July 2012.



## New Director for HKETO Berlin

HKETO Berlin has a new Director. Mr Ivan K B Lee assumed the office on 16 January 2012, succeeding Mr Stephen Wong.

Commenting on his new appointment, Mr Lee said "I am pleased to be back in Europe, this time heading HKETO Berlin, the first overseas representative office of the HKSARG established after Hong Kong's reunification with China. As Asia's World City and with the strategic position of being China's global financial, trading and shipping centre, Hong Kong has much to offer. I look forward to foster closer bilateral relations, economic and trade ties between Hong Kong and the eight countries in this part of Europe," Mr Lee added.

Prior to his current appointment, Mr Lee was the District Officer (Tai Po) in the Home Affairs Department, heading the administration of Tai Po, a District of Hong Kong with some 300 000 residents. Mr Lee has also served in various policy bureaux and departments including the Constitutional and Mainland Affairs Bureau, the Hong Kong Economic and Trade Office in Geneva, the Education and Manpower Bureau, the Industry Department and the Civil Service Bureau. While serving in Geneva, he represented Hong Kong in the World Trade Organization (WTO) and was elected the Chairman of the WTO Committee on Customs Valuation in 2003.



Director of the HKETO Berlin, Mr Ivan K B Lee, assumed office on 16 January 2012.

## HKETO Berlin celebrated the Year of the Dragon in 11 European Cities

Between 1 February and 1 March 2012, HKETO Berlin held Chinese New Year (CNY) receptions in 11 cities in central and eastern Europe, namely, Berlin, Bratislava, Budapest, Frankfurt, Hamburg, Ljubljana, Munich, Prague, Vienna, Warsaw, and Zurich to celebrate the Year of the Dragon. A total of over 1 600 guests attended these receptions.

At the receptions, the Director of HKETO Berlin, Mr Ivan Lee, delivered welcome remarks, updating the interlocutors in the various cities on the latest developments in Hong Kong, including Hong Kong's role as an offshore Renminbi centre, listing opportunities in Hong Kong as well as Hong Kong as a wine distribution and trading hub.

At each of these receptions, we had the privilege to have the presence of senior government officials, parliamentarians or senior members of the relevant trade and industry associations as the guest of honour. Senior diplomats, government officials, leading figures in the business community, the academia and media leaders also graced these receptions.

In Berlin, the reception was graced by the presence of the State Secretary of the Federal Foreign Office, Dr. Emily Haber, as the guest of honour. In addition, Miss Mary Chow, Special Representative of Hong Kong Economic and Trade Affairs to the EU also attended the reception on 2 February 2012.

A variety of cultural performances including magic and music performances were staged in Berlin, Frankfurt, Hamburg, Munich, Prague, Vienna and Warsaw, showcasing the diversity of Hong Kong's talents and traditional Chinese culture.



Director of HKETO Berlin, Mr Ivan K B Lee (right), presented a souvenir to Dr Emily Haber, State Secretary of the Federal Foreign Office of the Federal Republic of Germany, at the Chinese New Year reception on 2 February 2012.



Lion dance started HKETO Berlin's reception, celebrating the Year of the Dragon.



Over 200 guests attended HKETO Berlin's reception in Berlin on 2 February 2012.

# Budget promotes competitiveness, braces for tough times ahead

Financial Secretary announces Hong Kong's Budget for 2012-13



Financial Secretary, Mr John C Tsang, spoke at a joint business community luncheon in Hong Kong on 22 February 2012 on the 2012-13 Budget.

In his speech unveiling Hong Kong's budget for 2012-13, the Financial Secretary of HKSAR, Mr John C Tsang, unveiled a package of proposals to improve people's livelihood, enhance Hong Kong's competitiveness and support businesses amid uncertainty in the global economy. The Financial Secretary reported the growth of Hong Kong's economy by 5 per cent in 2011 but forecast GDP growth to slow to between 1 and 3 per cent for 2012, mainly due to sluggish European and US economies. The 2012-13 Budget projected total government revenue at HK\$390.3 billion, with total government expenditure at HK\$393.7 billion, thus running a small deficit of HK\$3.4 billion. As at end of March 2012, fiscal reserve is forecast to stand at HK\$658.7 billion, representing 34% of Hong Kong's GDP or 20 months of government expenditure.

To lend support to enterprises, the Financial Secretary proposed to:

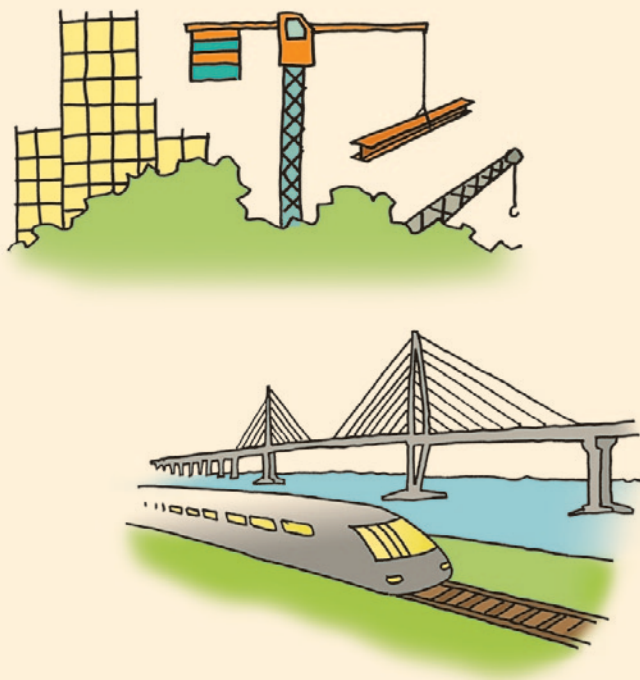
- enhance the existing SME Financing Guarantee Scheme by increasing the maximum loan guarantee ratio to 80% for which the Government will provide a guarantee commitment of HK\$100 billion while the guarantee fee will be lowered.

- the Hong Kong Export Credit Insurance Corporation will offer new policy terms which will include special concessions for SME policyholders who will be allowed to insure their exports only for places and buyers of their choice, and will be entitled to various premium discounts.
- waive business registration fees for 2012-13.
- reduce profits tax for 2011-12 by 75%, subject to a ceiling of HK\$12,000.
- halve the charges for import and export declarations and abolish capital duty levied on local companies.
- the Hong Kong Mortgage Corporation will introduce a three-year pilot scheme of microfinance. The maximum loan amount will be capped at HK\$100 million and the repayment period will be as long as 5 years.





To maintain Hong Kong's economic competitiveness and support infrastructural development programme, the capital works expenditure for 2012-13 financial year will reach HK\$62.3 billion and increase to over HK\$70 billion in the next few years, with the total value of infrastructural projects approved and to be submitted to the Legislative Council reaching HK\$400 billion. Large-scale projects include the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, the Hong Kong-Zhuhai-Macao Bridge, the Central-Wan Chai Bypass, railway construction works of the South Island Line (East) and the West Island Line, and Shatin to Central Link project. The government will also consider the proposal of building the third airport runway.



The Financial Secretary reiterated the Government's resolve to increase the supply of land and create a land reserve:

- it is estimated that the housing land supply in aggregate for 2012-13 will provide some 30 000 private residential flats.
- the Application List in the Land Sale Programme will include 47 residential sites, of which half are new sites. They will provide some 13 500 units.
- a public consultation will be launched on two property projects above the West Rail Kam Sheung Road Station and Pat Heung Depot of the Mass Transit Railway Corporation. It is estimated that these projects will provide about 8 700 flats.
- increase the supply of business sites by introducing measures including "Energizing Kowloon East", revitalising industrial buildings and relocating government departments from core business districts.

Investing into the future, the Budget introduced measures to promote the development of various industries:

- promote the development of the retail bond market. A further issuance of iBond worth not more than HK\$10 billion will be launched.
- allocate HK\$150 million to the Mega Events Fund and extend its operation for 5 years.
- increase the cash rebate under the Research &

Development Cash Rebate Scheme, raise the funding ceiling of the Small Entrepreneur Research Assistance Programme and increase the monthly allowance of the Internship Programme under the Innovation and Technology Fund.

- introduce measures to encourage the use of industrial buildings and industrial lots for data centres.
- set up a fund of HK\$1 billion to help Hong Kong enterprises tap the Mainland market.
- earmark HK\$100 million to support the operation of the Hong Kong Design Centre for the coming three years and for the promotion of Hong Kong design, sponsor some of the signature events in 2012, which is designated as "Hong Kong Design Year".

Investing into the future also meant continual investment in education. Education is the largest expenditure item in the Budget, with recurrent spending amounting to HK\$60 billion, an increase of 7% over 2011-12. The increase in the recurrent expenditure will be used in implementing the four-year undergraduate programmes under the new academic structure by the University Grants Committee-funded institutions, increasing university places, introducing small-class teaching in public primary schools, continuing to launch the Pre-primary Education Voucher Scheme and increasing the value of the voucher etc.



Concluding his Budget presentation, the Financial Secretary said Hong Kong people would rise to the challenge. "We may not always see eye-to-eye with each other on how to deal with the difficulties we face, but working together we have always been able to find ways to develop Hong Kong into a better place," Mr Tsang said.

For full details of the 2012-13 Budget, please visit: [www.budget.gov.hk](http://www.budget.gov.hk).

## Hong Kong Update

Hong Kong Economic and Trade Office, Berlin

Jägerstrasse 33  
10117 Berlin, Germany

Tel: +49 (0)30 22 66 77 22 8

Fax: +49 (0)30 22 66 77 28 8

Email: [cee@hketoberlin.gov.hk](mailto:cee@hketoberlin.gov.hk)

Website: [www.hketoberlin.gov.hk](http://www.hketoberlin.gov.hk)

# A New CBD for Hong Kong – Kowloon East



Hong Kong is developing a second Central Business District (CBD). To capitalize on the fast-growing opportunities of the Mainland and sustain Hong Kong's position and longer term development, a steady and adequate supply of quality office space is pivotal.

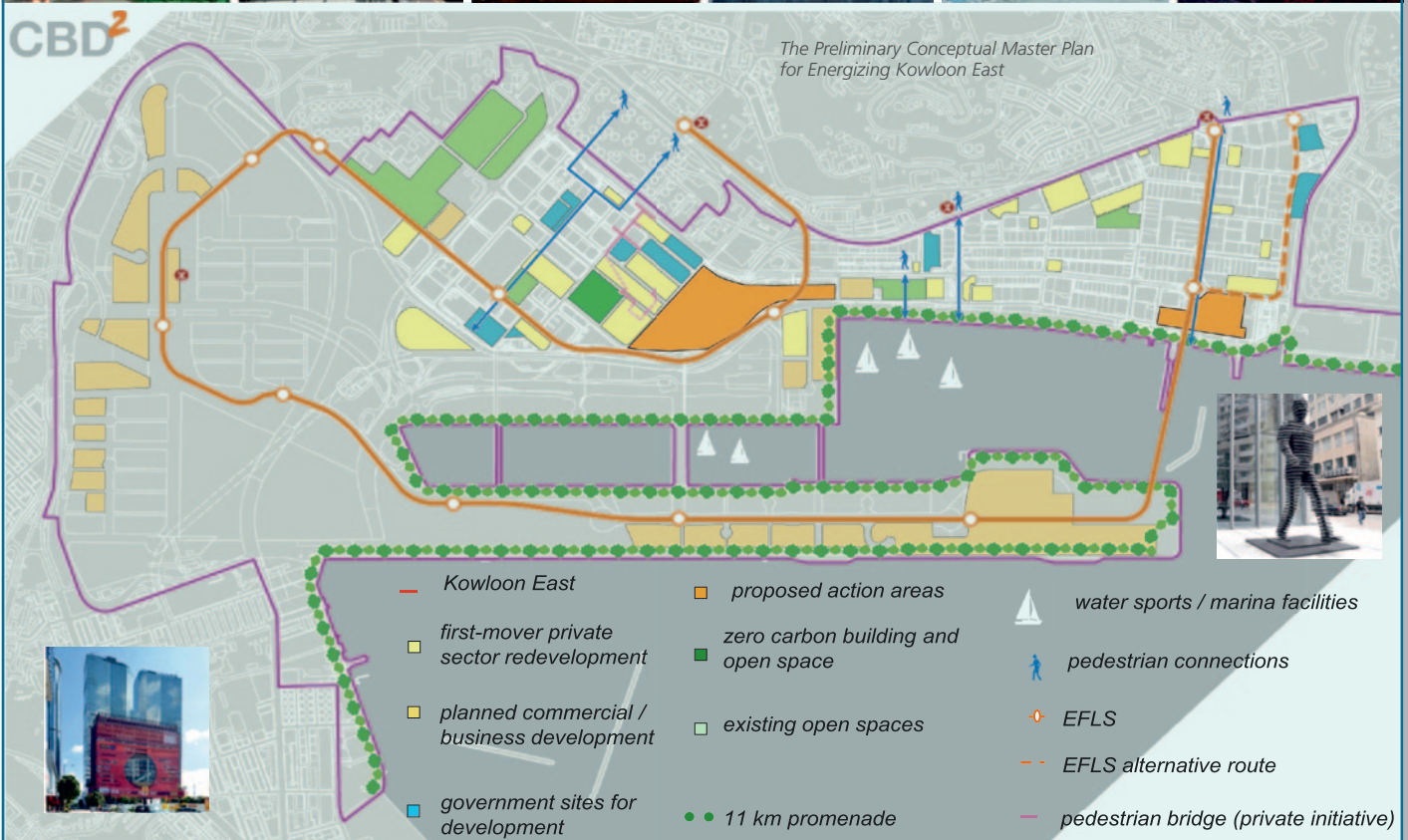
The Chief Executive, Mr Donald Tsang, in his 2011-12 Policy Address announced that the Government would kick-start the development of Kowloon East, an area comprising the former Kai Tak Airport, Kwun Tong and Kowloon Bay, into a new core business district, as our traditional core business districts can no longer satisfy the growing demand for quality office space.

Kowloon East witnessed the rapid growth of an important industrial base in the heyday of Hong Kong's manufacturing industry, creating hundreds of thousands of jobs and propelling Hong Kong's prosperity. Following relocation of

the Airport to Chek Lap Kok and our manufacturing base to the Mainland, this area has lost some of its past vibrancy, leaving a huge stock of industrial buildings not being fully utilised.

The Government has adopted a visionary, co-ordinated and integrated approach to expedite the transformation of Kowloon East into an attractive, alternative CBD to support Hong Kong's economic development. The Government has mapped out a conceptual master plan for the Kowloon East Business District by adopting the broad strategies of Connectivity, Branding, Design and Diversity (CBD<sup>2</sup>) –

- i. enhancing Connectivity – The Government will consider enhancing connectivity within Kowloon East, such as improving pedestrian access networks; considering building an environmentally friendly linkage system (a rail-based transit system with no carbon emission)





through the entire district; and strengthening external connectivity through the Mass Transit Railway (the subway system in Hong Kong) Kwun Tong Line and the future Shatin to Central Link;

- ii. Branding the place with Quality Urban Design – The Government will consider branding Kowloon East as a premier office node and promoting attractive urban design concepts with greening features and pedestrian promenades to create a pleasant business district; and
- iii. promoting Diversity – The Government will advocate development that includes a wide range of cultural, leisure and water sports activities to energise the business district.

Over the past few years, transformation work has already started. For example, the first phase development of the Kai Tak area is expected to be completed in 2013, including the terminal building and 1<sup>st</sup> berth for an international cruise terminal, public housing and Phase 1 of the District Cooling System. In addition, by end March 2012, the Government has approved applications from private developers for some 21 former industrial buildings in Kwun Tong and Kowloon Bay area be redeveloped or converted into offices, shops and services, and hotels. In the meantime, thanks to good market sense and first-mover initiatives of some private developers, high grade office buildings and retail centres are emerging in Kowloon East. About 1.4 million sq. m office space have been completed in the district.



Artist's impression of the Kai Tak Development including the international cruise terminal

## New Land for Private Hospitals in Hong Kong

Hong Kong is renowned for its high standard of professional healthcare as well as its advanced medical technology and equipment. Coupled with our excellent communication facilities and marketing skills, we have the advantages and potential in further developing our medical services, in particular in the provision of highly specialized services that require technology and multi-disciplinary skills. The Government has identified medical services as one of the six industries where Hong Kong enjoys advantages for further advancement.

To support the industry's development and to cope with the increasing service demand and to offer more choices for patients who can afford patronage of private medical services, the Government has made available two sites, in Wong Chuk Hang (about 27 500 sq. metres) and Tai Po (about 54 851 sq. metres), for the development of private hospitals and launched the relevant tender exercises on 13 April 2012.

The tenders are open to all interested parties worldwide who possessed relevant experience in hospital operation. Details of the invitation to tender, including the tender documents setting out the requirement details, are available at the following websites of the Food and Health Bureau and the Lands Department of the HKSAR Government –

<http://www.fhb.gov.hk/en/tender/>

[http://www.landsd.gov.hk/en/tinfo/tpage\\_m.htm](http://www.landsd.gov.hk/en/tinfo/tpage_m.htm)

The tender closes at 12:00 noon, 27 July 2012 (Friday) Hong Kong Time (GMT +8 hours). Enquiries related to the tender exercise may be directed to the Chief Estate Surveyor/Headquarters of the Lands Department of the HKSAR Government (fax: (852) 2116 0764; email: ceshq@landsd.gov.hk).

The current two sites form part of the four sites (the other two being Tseung Kwan O and Lantau) that the Government has reserved for private hospital development. The Government conducted in late 2009 an expression of interest (EOI) exercise to solicit market interest in the four reserved sites. Subsequent to the EOI exercise, it was decided to roll out the disposal of sites in phases and the Government is now tendering out the first two sites at Wong Chuk Hang and Tai Po.

## Forthcoming events by HKETO Berlin

June 2012

*Bern Annual Reception*

July to October 2012

*Hong Kong Film Festivals  
(Berlin, Düsseldorf, Hamburg and Vienna)*

August 2012

*Hong Kong Children's Choir tour*

## Forthcoming events in Hong Kong

17-20 May 2012

*Hong Kong International Art Fair 2012*

29-31 May 2012

*Vinexpo Asia Pacific 2012*

14-16 June 2012

*Retail Asia Expo 2012*

3-6 July 2012

*Hong Kong Fashion Week for Spring/Summer*

4-8 July 2012

*Hong Kong Dragon Boat Carnival*

18-24 July 2012

*Hong Kong Book Fair*

*For the most updated list and details of forthcoming events in Hong Kong, please visit our website at ([www.hketoberlin.gov.hk](http://www.hketoberlin.gov.hk)).*

# Germany's Leading Textile Testing Lab sets up in Hong Kong

*The Hohenstein Institutes, one of the world's leading providers of testing and certification for fabrics and garments, has chosen Hong Kong for its first research and testing centre outside Europe as part of a strategic expansion in Asia.*

For the Hohenstein Institutes, the desire to get closer to its main customers was the key driver behind its move to Hong Kong. With so many textile and garment manufacturers based in Mainland China's Pearl River Delta region, immediately to the north of Hong Kong, it made business sense to set up its first overseas testing facility in the city.



"We primarily chose Hong Kong because of its proximity to Mainland China where most of our clients – the textile or fashion manufacturing companies – are based," Dr Manfred Hirning, Managing Director, Hohenstein Laboratories (HK) Ltd, said.

Hong Kong was also selected because of its well-established status as a regional sourcing centre for textiles, and the ease with which Hohenstein staff and their clients could fly in and out of the city. "With its excellent transport and telecommunications infrastructure, it's a fast and convenient base for us to respond to our clients' needs," Dr Hirning said. The availability of qualified staff was the final factor. "There are few places that have such highly competent textile experts as we find here in Hong Kong," he added.

## Science Park a Premium Location for R&D

The Hohenstein story dates back to the late 1940s when it was a small family-run business. Since then the company has grown steadily and now has offices in over 30 countries worldwide. It pins its success down to a simple formula: its dedication to textile materials and the development of innovative fabrics. Hohenstein put the same rigour into its choice of location and was determined to identify a facility which would give it the same high standards as its central laboratory in Germany.

"After a long search, we found the Biotech Centre, which is part of the Hong Kong Science Park, and it immediately suited our needs. The space is specifically designed for chemical labs to operate in full compliance with the safety and environmental protection regulations here. On top of that, it has easy accessibility, it's a friendly environment and there are professional support teams on hand," Dr Hirning said.

Officially opened on 9 December 2011, the Hohenstein Institutes – which spans a full floor of the Biotech Centre –

already employs about 10 local staff including a laboratory manager, chemists, textiles technicians and customer relations officers. Dr Hirning said Hohenstein had already put in place an experience-exchange programme, which rotates experts between Hohenstein Hong Kong and Germany. "This exchange of skills, ideas and experience will benefit our staff both in Hong Kong and Germany," he added.

## Long-term Success Through Collaboration

As well as experience sharing between Hohenstein staff, the company looks forward to strengthening collaboration with the local universities, many of which have strong textile research capabilities. "Hong Kong has a firm foundation of R&D in the textile and garment industry, and the skills exchange between companies and local research universities is very strong," Dr Hirning said. "This is an area where we feel we can benefit from new ideas, and share our best practice and experience with Hong Kong," he added.



[www.hohenstein.de](http://www.hohenstein.de)

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Dr Manfred Hirning, Managing Director, Hohenstein Laboratories (HK) Ltd

## Hohenstein Institutes

- Leading testing, certification and research laboratory for textiles based in Bönningheim, Germany
- Serves about 4 500 international customers
- Has a global network of offices spanning 30+ countries
- Hong Kong office with laboratory facilities opened in December 2011 at the Biotech Centre, Hong Kong Science Technology Park

## Contact information for InvestHK

InvestHK is the government department responsible for attracting and facilitating foreign direct investment into Hong Kong. For further information please contact the Investment Promotion Unit of HKETO Berlin on telephone +49 (0)30 22 66 77 230 or by email [ipu@hketoberlin.gov.hk](mailto:ipu@hketoberlin.gov.hk).