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Currency Exchange Rates

HK\$7.78=US\$1.00 (approx)
HK\$5.75=NZ\$1.00 (approx)



NEW ZEALAND

Consulate-General HONG KONG

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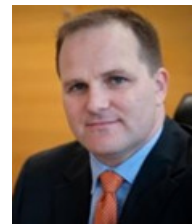
HONG KONG REVIEW

December 2010

New Zealand / Hong Kong SAR

Visit by Minister of Commerce and Minister of Justice, Hon Simon Power

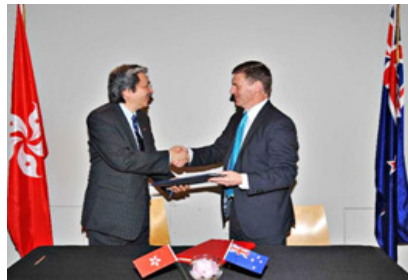
Hon Simon Power visited Hong Kong from 16 to 17 November to meet with Hong Kong regulators, financial market participants and leading members of the Hong Kong Government and New Zealand business community. The focus of discussion was on regulatory developments- in New Zealand and internationally - following the financial crisis. Global issues such as investor confidence and access to capital were also canvassed.



Hon Simon Power

Mr Power called on his Justice counterpart, Hon Wong Yan-lung, for an exchange of views on recent legal policy developments and current priorities, including a number of areas of common interest. He also attended a luncheon with New Zealand business representatives in Hong Kong, hosted by Consul-General Ms Adele Bryant.

New Zealand and Hong Kong Signed Double Tax Agreement



Hon Mr Bill English (right) and Mr John Tsang (left) signed the Double Tax Agreement in Auckland

New Zealand and Hong Kong. Mr Tsang flew via Auckland and on to Chile, an efficient route for Asian travellers to access South America. The official press release on the agreement is available at www.beehive.govt.nz/release/new-zealand-hong-kong-tax-agreement-signed

A Double Tax Agreement (DTA) between New Zealand and Hong Kong was signed in Auckland on 1 December. The Agreement, signed by Finance Minister Hon Bill English, Revenue Minister Hon Peter Dunne and the visiting Hong Kong Financial Secretary Hon John Tsang, provides certainty of tax treatment and reduces withholding tax rates for businesses operating in both

The online version of Hong Kong Review is available at www.mfat.govt.nz/Media-and-publications/Publications/Newsletters/index.php or from

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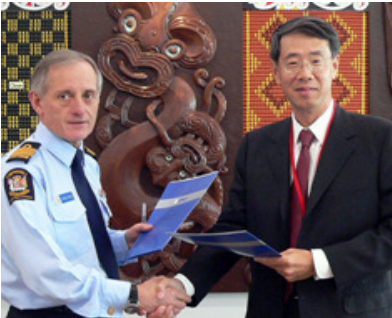
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HAPPY
NEW YEAR
2011



New Zealand Customs Service Comptroller Martyn Dunne (left) and Hong Kong Commissioner of Customs and Excise Richard Yuen (right) in Wellington



Consul-General Ms Adele Bryant with the All Blacks

Entry into Force of New Zealand-Hong Kong Closer Economic Partnership Agreement set for 1 January 2011

Hong Kong and New Zealand have both completed the necessary domestic legislative measures for the Entry into Force of the New Zealand-Hong Kong Closer Economic Partnership Agreement (CEP) on 1 January 2011. The CEP will help New Zealand companies sell goods and services in Hong Kong and see Hong Kong become an even more important launch-pad for trade into China. A direct outcome of the CEP is negotiations on an Investment Protocol, to update the existing Investment Promotion and Protection Agreement and to facilitate bilateral investment flows between the two economies. Preliminary talks have been completed and the first round of negotiations is scheduled to take place in May 2011.

New Zealand-Hong Kong Customs Co-operation to be Enhanced

At the 7th Customs Co-operation Conference, the delegation from the Hong Kong Customs and Excise Department met the New Zealand Customs Service to explore ways to strengthen intelligence analysis and enforcement activities between the two organisations, culminating in the signing of a joint communiqué detailing areas for enhanced co-operation.

MoU Signed between WelTec and Cyberport

Hong Kong Cyberport and the Wellington Institute of Technology (WelTec) signed a Memorandum of Understanding (MoU) on 16 November at the “Web 3.0 Asia – How Internet Innovation Will Transform The Creative Industries” event- organised by Cyberport and sponsored by Create Hong Kong. The MoU builds on the Knowledge Sharing and Transfer Agreement signed between Cyberport, Wellington City Council and New Zealand Institute for Screen Innovation in 2009. WelTec and Cyberport wish to work together to deliver WelTec training in the creative digital area to creative start-ups and industry practitioners in Hong Kong.

Rugby World Cup 2011 Promotional Activities

To mark the ‘One Year to Go’ until Rugby World Cup 2011 (RWC2011) milestone, a series of events were held both in New Zealand and around the world. As part of that, the Consulate-General, with support from New Zealand Trade and Enterprise and NZ2011, held a press conference and reception on 31 August to raise media interest in RWC2011 and outline preparations underway for New Zealand’s hosting of the Tournament, and broader ancillary events.

Consul-General Ms Adele Bryant presented plans to make the Tournament a uniquely New Zealand celebration and explained the ‘Business Club’ concept designed to connect like-minded business people from around the world and help them make the most of the networking opportunities the Tournament presents.

On 30 October, Hong Kong hosted the fourth and final Bledisloe Cup test between the All Blacks and the Wallabies. The Consulate-General hosted a RWC2011 promotional event in partnership with the Kowloon Rugby Football Club. The evening event, involving Former All Black Captain and Rugby World Cup Ambassador, Mr Sean Fitzpatrick, attracted over 100 guests. Australian rugby great, Mr David Campese, also attended and spoke positively about how RWC2011 would play out with New Zealand at the helm.

During “Bledisloe Week”, the Consulate-General participated in other rugby-focused events including the ‘Rugby Legends Dinner’, jointly organised by the New Zealand and Australian Chambers of Commerce and fronted by Mr Sean Fitzpatrick, and Australian Rugby greats Mr John Eales and Mr Phil Kearns. The All Blacks attracted much media attention while in Hong Kong, including the visit by Mr Conrad Smith and Mr Isaia Toeava’s to De La Salle College to train with the College’s newly established rugby team.

For information on Rugby World Cup 2011, please visit www.nz2011.govt.nz and www.rugbyworldcup.com. Business travellers planning to visit New Zealand in 2011 are invited to register to join the New Zealand 2011 Business Club at: www.nz2011.govt.nz/cms/get-involved/nz2011-business-club/register-form



Director Mr Anthony McCarten and Consul-General Ms Adele Bryant at the reception



The opening night cocktail reception



Consul-General Ms Adele Bryant with Young Leaders from New Zealand



Proverse Prize Co-Founder Dr Verner Bickley and Consul-General Ms Adele Bryant celebrate publication in Hong Kong of "Instant Messages", an award-winning novel by New Zealand author Laura Solomon. (Photo Courtesy of Mr Errol Patrick Hugh)

The 2010 New Zealand Film Festival in Hong Kong

The second New Zealand Film Festival ran at Broadway Circuit venues from 3 to 14 September (<http://bc.cinema.com.hk/adhoc/NZFF2010/index.html>). The Festival was organised by the Consulate-General and funded by the New Zealand Government's Cultural Diplomacy International Programme (run out of the Ministry for Culture and Heritage), with support from the New Zealand Film Commission, Air New Zealand, Tourism New Zealand, and New Zealand Focus.

The Festival featured seven critically acclaimed feature films and four short films, none of which had been seen in Hong Kong before. The screening of distinctly New Zealand films provided the opportunity to showcase New Zealand's creative and innovative capabilities as well as its unique cultural heritage and stunning landscapes.

The Festival opened with *Show of Hands*, directed by Mr Anthony McCarten, who attended the evening and led the Q & A sessions after the premiere and the first public screening the following day. The Festival also included a special complimentary screening of *The Map Reader* for local students and young people.

Over 1,400 people attended the Festival which generated considerable publicity and media coverage and positive appraisals from the public, film critics and the local industry.

New Zealand Film at Hong Kong Jewish Film Festival

The Third Richard, co-directed by New Zealanders Mr Danny Mulheron and Ms Sara Stretton, was screened at the 11th Jewish Film Festival in Hong Kong and Macau, which was held from 13 to 22 November. Mr Mulheron and Ms Stretton attended the event and answered Q and A following the screening of *The Third Richard*, which won the Audience Award for Favourite Documentary/Short Film. While in Hong Kong, the pair met with local film industry contacts to discuss potential co-production projects and delivered a presentation on documentary film making at The Hong Kong Academy for Performing Arts School of Film and Television.

New Zealand Participation in The Dragon 100 Young Chinese Leaders Forum

Six young New Zealanders participated in this year's Dragon 100 Young Chinese Leaders Forum. The theme of this year's Forum was "Exploring Shanghai and World Expo - Building our Future".

Consul-General Ms Adele Bryant was a guest at the Kick-off Ceremony held in Hong Kong, where she met with the six young leaders from New Zealand.

Other Bilateral Visits to Hong Kong

Secretary to the Treasury Mr John Whitehead, accompanied by officials from the New Zealand Debt Management Office, visited Hong Kong on 1 September to raise New Zealand's profile as a place to invest. Mr Whitehead met with senior officials from Hong Kong's Financial Services and the Treasury Bureau; the Chief Executive of the Hong Kong Monetary Authority, Mr Norman Chan; the New Zealand Business Advisory Board; and a range of institutional and private sector investors.

Deputy Secretary of the Ministry of Education Ms Anne Jackson visited Hong Kong on 4 November and met with Hong Kong Education Bureau officials to discuss local curriculum developments and opportunities for bilateral education co-operation. Ms Jackson also visited De La Salle College- now headed by New Zealander Brother Steve Hogan- to see a Hong Kong school in action and further discuss curriculum development issues.

New Zealand / Macau SAR

'Experience NZ' at the City of Dreams

On 16 September, Consul General Ms Adele Bryant; the Chairman of the New Zealand Chamber of Commerce in Hong Kong, Mr David Whitwam; and Trade Commissioner Ms Sharon-May McCrostie jointly hosted an 'Experience NZ' event at the City of Dreams, Macau. The event- sponsored by the Executive Chef of the City of Dreams, New Zealander Mr Samuel Wilkes- was attended by key Macau business contacts as well as members of the New Zealand community living and working in the SAR. It provided a good opportunity to showcase the best of New Zealand food and wine in the growing Macau market.

Business & Other Updates - Hong Kong

China's State Council announced the appointment of Vice-Foreign Minister, **Mr Wang Guangya**, as the **new Director of the Hong Kong and Macau Affairs Office**. Aged 60, Mr Wang has been working at the Ministry of Foreign Affairs since 1975 and served as China's permanent representative to the United Nations from 2003 to 2008.



Mr Andrew Wong Ho-yuen, Permanent Secretary for the Civil



Service, will assume the post of Permanent Secretary for Commerce and Economic Development (Commerce, Industry and

Tourism) on 17 January, 2011. He succeeds Miss Yvonne Choi, who will retire after 37 years of service with the Government. Mr Wong's biography is available at www.info.gov.hk/gia/general/201011/16/P201011160133.htm

Ministry for Culture and Heritage Senior Policy Advisor Mr Brendan Quinlivan visited Hong Kong from 3 to 7 September to attend the 2010 New Zealand Film Festival opening night reception and premiere screening. He also met with local film and art gallery contacts.

New Zealand Food Safety Authority Market Access Counsellor Mr Neil McLeod and Specialist Advisor (Market Access Strategy) Ms Lisa Winthrop visited Hong Kong on 15 September to meet with officials of the Hong Kong Centre for Food Safety and the Hong Kong Food and Environmental Hygiene Department. Food safety issues and collaboration under the New Zealand-Hong Kong CEP were the focus of discussions.

Prof Pat Walsh, Vice-Chancellor of Victoria University of Wellington and Dr James Richard, the outgoing MBA Director, presided over the ceremony held for the 26 graduates of the Victoria International MBA (IMBA) on 27 November. The Consul-General and family and friends turned out to congratulate the successful students, including Mr Jeremy Cheng, the Programme Manager, at a ceremony held at the Chinese University of Hong Kong (CUHK). Available exclusively in Hong Kong with support from CUHK's Asia-Pacific Institute of Business, the IMBA is a premium Master's programme which offers Hong Kong students a quality international qualification in Hong Kong. All courses are taught by Victoria University academic staff.

Former President of the New Zealand National Party Ms Sue Wood was in Hong Kong in November to share her insights into the role of political parties in a democracy and skills required to run a campaign at a seminar organised by the National Democratic Institute.

Ms Jane Diplock, Chair of the New Zealand Securities Commission and Chair of the Executive Committee IOSCO, was in Hong Kong as a keynote speaker and moderator for several panels at the Pan Asia Regulators Conference from 29-30 November.

Six members of the **Hong Kong New Zealand Business Association**, including President Mr Felix Lee, visited Hong Kong for the 11th Hong Kong Forum held on 1-3 December. The HKNZBA was recognised for its organisation of the Hong Kong Festival 2010, an annual event to promote Hong Kong arts, films and culture in New Zealand.

Sixty New Zealand wineries were represented at the **New Zealand Wine Growers Fair** held at the Hong Kong Jockey Club on 21 October. New Zealand wine exports to Hong Kong are now worth close to NZ\$12 million; an approximate 94 % increase since the Hong Kong wine excise was removed in 2008 to encourage Hong Kong's growth into a successful wine hub.

The Greater Pearl River Delta Business Council has released a study report on Hong Kong's role and position in China's economic development (www.cmab.gov.hk/en/issues/council.htm).

The People's Bank of China and the HKMA agreed to further ease RMB-denominated trade in Hong Kong. Under the new arrangements, there will no longer be restrictions on banks in Hong Kong establishing RMB accounts for, and providing services to, financial institutions, and both individuals and corporations will be able to conduct RMB payments and transfers through Hong Kong banks.

The Economic Cooperation Framework Agreement (ECFA), recently signed by Taiwan and the mainland to reduce barriers to cross-straits trade, could provide a boost to the Hong Kong economy, according to Hong Kong Trade Development Council Chief Economist Mr Edward Leung. He noted that the years following the signing of the ASEAN-China Free Trade Agreement had seen a substantial increase in trade between China and ASEAN as well as sizable growth of trade between Hong Kong and the region. However, Leung cautioned that the ECFA could directly undermine

(cont'd from bottom of P.4) Hong Kong's role in cross-Straits trade, and affect Hong Kong's external trade in the short term.

Since the import tax on wine was abolished in 2008, Hong Kong has replaced London as the world's second largest wine auction centre and is set to overtake New York as the biggest wine auction centre by the end of the year. The number of wine shops in Hong Kong has risen by about 850 since 2008, and about 40,000 people are now involved in wine-related industries such as retailing and logistics.

A survey by the Nielsen company of 26,000 people in 53 countries found **consumer confidence** in Hong Kong had risen to 103 points in the third quarter - a jump of ten points compared with the same period in 2009), reaching its **highest level in two years**.

In response to some legislators' proposal to review the **Hong Kong dollar's peg to the US dollar**, Financial Secretary Mr John Tsang warned that if the peg was abandoned or revised, it would spark HKD currency speculation and invite even more hot money to rush into Hong Kong; increasing the risk of an asset bubble.

Financial Secretary Mr John Tsang said the 3% increase in the RMB's value from June to October was moderate. He believed the **impact of a stronger RMB on Hong Kong's prices** would be **limited**. Citing a stress test by the HKMA, Tsang said Hong Kong's inflation rate would only be driven up by 0.5% if the RMB rose by 10% against the US dollar.

About **20-30% of Hong Kong-funded small and medium-sized enterprises (SMEs) operating in the Pearl River Delta region** (around 60,000-80,000 businesses) **may contract or close down in the next two years** as a rising RMB and humans in Hong Kong.

Domestic - Hong Kong SAR

2010/11 Policy Address Focuses on Housing and Livelihood Issues

Chief Executive Mr Donald Tsang delivered the 2010-11 Policy Address (www.policyaddress.gov.hk), titled "*Sharing Prosperity for a Caring Society*" on 13 October, putting forward strategies to stabilize the property market, support low income families, improve the environment and strengthen financial cooperation with Mainland China.

Mr Tsang reported Hong Kong's economy was on track but warned of the ongoing risks in the global economy and potential asset-price bubbles in Asia.

Mr Tsang said **livelihood issues** were "the community's principal concern", which was why the 2010/11 Policy Address focused on the structural problems of Hong Kong's social development related to housing, the wealth gap and elderly welfare.

Hong Kong's volatile property remained the most immediate and pressing challenge, and the Policy Address contained new **measures to boost the supply of flats and help potential homebuyers enter the housing market**, including the establishment of a land reserve, the introduction of a new subsidised rent-to-purchase housing plan and the temporary removal of real estate investment from the Capital Investment Entrant Scheme; an investor migrant scheme.

On the environment, the Chief Executive proposed **optimizing the fuel mix for power generation**. He proposed that **by 2020 natural gas should account for 40%** of the fuel mix for power generation, coal no more than 10%, renewable energy about 3 to 4%, and the balance of about 50% imported nuclear energy.

On the economy, Mr Tsang said Hong Kong would continue to **strengthen financial cooperation with Mainland China**. He said Hong Kong would strive to enhance its status as an international centre for financial services, trade, shipping and logistics, and **develop the six industries** where Hong Kong enjoyed clear advantages - namely, medical services, education services, environmental industries, testing and certification services, innovation and technology and cultural and creative industries.

The Chief Executive affirmed the Government's position that notwithstanding its constitutional duty to implement Article 23 of the Basic Law, **legislation dealing with subversion would not be introduced during the remainder of his term**.

Universal Suffrage Model for 2017 Chief Executive Election

The **Chief Executive Election (Amendment) Bill and the LegCo (Amendment) Bill** were tabled at LegCo for the first and second reading on 15 December. Secretary for Constitutional & Mainland Affairs Mr Stephen Lam said that he hoped LegCo would pass the bills as soon as possible in 2011 to provide sufficient time for preparing the 2011 Election Committee sub sector elections.

Under the proposals, the number of members in the Chief Executive Election Committee will be increased from 800 to 1,200.

For the five new District Council seats in LegCo- created under the approved political reform package- only elected District Councillors will be able to nominate and become candidates. Candidates must be nominated by no less than 15 elected District Councillors and will be elected by 3.2 million voters who are not registered in any (cont'on P.6)



Chief Executive Donald Tsang presents his Policy Address

operating costs erode their profits, The Federation of Hong Kong Industries told *China Daily*.

The **Competition Bill** was tabled in the Legislative Council in July 2010 after four years of consultation. The Bill provides for the establishment of an independent statutory Competition Commission and a Competition Tribunal.

The Hong Kong Government has removed **H1N1 influenza** from the list of statutorily notifiable infectious diseases. The Centre for Health Protection said the human H1N1 flu virus was set to take on the behaviour of a seasonal flu virus and continue to circulate in the community for some years to come. A **new case of human H5N1 avian influenza infection** was detected in Hong Kong – the first in seven years. The authorities later confirmed there was no sign of avian influenza spreading among humans in Hong Kong.

(cont'd from P.5) other functional constituency. The Government is proposing that the five new seats be returned by a single territory-wide constituency, with election expenses capped at HK\$6 million.

A Strong Third Quarter but Slower Growth for 2011

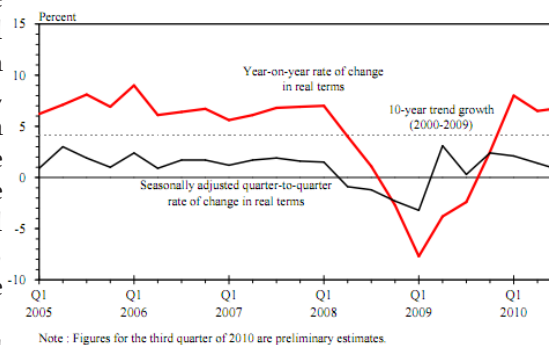
After a strong recovery from the global financial crisis in the first half of this year with 7.2% growth, Hong Kong's economy remained robust in the **second and third quarters**, with real GDP expanding **6.5% and 6.8%** yoy respectively.

Merchandise exports maintained strong momentum in the third quarter, surging 20.8% yoy in real terms. The unemployment rate dropped to 4.2%, and inflation rose to 2% during the same period.

The official forecast for **GDP growth for 2010** was revised upwards to **6.5%**, from the forecast of 5% to 6% announced in August.

Government Economist Ms Helen Chan warned that as the new round of quantitative easing in the US could trigger a further influx of funds into the region, and with higher import prices amid a weaker US dollar, inflationary pressures remained high. Averaged at 1.4% in the first three quarters, **inflation** is now **forecast at 2.5% this year**.

Hong Kong's Gross Domestic Product



Note: Figures for the third quarter of 2010 are preliminary estimates.

Latest Hong Kong Economic Indicators

Indicator	Figure	Period	Change
1. Gross Domestic Product	US\$209.3 bn	FY2009	-2.8%
2. Economic growth	+6.8%	3rd Q 2010	preliminary
	+6.5%	FY2010	revised forecast
3. Population	7.061 mil	mid-2010	+0.8% yoy
4. Fiscal deficit	HK\$4.4 bn	May-Aug2010	-
5. Foreign currency reserves	US\$266.1 bn	Nov 2010	+38% yoy
6. Monetary base	HK\$1031 bn	Nov 2010	+3.5% yoy
7. Hang Seng Index	23,008	Nov 2010	+5.4% yoy
8. Inflation rate	2.6%	Oct 2010	-
9. Prime interest rate	0.5%	Nov 2010	-
10. Property transactions			
a. sales value	HK\$58,83 bn	Nov 2010	+54% yoy
b. no of transactions	13,189	Nov 2010	+43% yoy
11. Retail sales value	HK\$27.8 bn	Oct 2010	+21.6% yoy
12. Unemployment rate	4.1%	Sep-Nov2010	provisional
13. a. Total exports	HK\$274.2 bn	Oct 2010	+13.9% yoy
b. Total imports	HK\$296.4 bn	Oct 2010	+14% yoy
c. Re-exports	HK\$268.2 bn	Oct 2010	+13.9% yoy
14. Visitor arrivals	3.26 mil	Oct 2010	+18% yoy

(Sources: 1, 2, 3, 4, 8, 11, 12, 13. Hong Kong Census & Statistics Department 5,6,7. Hong Kong Monetary Authority 9. HSBC 10. Hong Kong Land Registry 14. Hong Kong Tourism Board)

The International Monetary Fund (IMF) has raised its forecast for Hong Kong's GDP growth for 2010 to 6.75%, before moderating to 5% to 5.5% next year. The IMF warned that inflation could reach 5% by the end of next year, but it does not believe a bubble has formed in the local property market despite the recent surge in prices.

Hong Kong "Best Position" to Help Boost RMB Internationalisation

Hong Kong Monetary Authority (HKMA) Chief Executive Mr Norman Chan quoted Vice Premier Mr Wang Qishan as saying that Hong Kong was "in the best position" to help boost RMB internationalisation. The statement coincided with the launch of a second RMB bond issue in Hong Kong worth RMB 8 billion by China's Ministry of Finance, moving the SAR another step closer to its plan to become the primary offshore centre for RMB products.



Business & Other Updates - Macau

At the Macau Basic Law Advanced Seminar held in Macau, Deputy Secretary-General of the National People's Congress Standing Committee, Mr Qiao Xiaoyang, said **Macau should follow the same process as Hong Kong to move towards a democratic political regime**, as it shares the same Annexes 1 and 2 as the Hong Kong Basic Law.

Secretary of State for Social and Cultural Affairs Mr Cheong U paid his **first official visit to Taiwan** with the aim of attracting more visitors from the island and promoting cultural cooperation. It was the first Macau Government official visit to Taiwan since the Macau SAR's handover to China in 1999.

Macau rose 15 places on **Euromoney's country risk ranking** and now ranks **30th** among 186 countries and territories, with 74.40 points out of 100. **Hong Kong** (87.18) ranked **9th** and is the only Asian economy in the top 10. Political risk, economic performance and projections, debt indicators, credit rating and access to bank finance and capital markets are some of the factors included in the ranking.



Measures to Cool Down Heated Property Market

Noting that property prices had regained momentum since measures were introduced in August to cool the market, the Hong Kong Government announced new measures to curb speculation and price gains by tightening mortgage and down-payment requirements for some home purchases and pledging to boost land supply.

Before the announcement, analysts forecast that real estate prices could rise another 10% to 15% this year and could post a further 30% gain by the end of 2011. Local property prices are now the highest since December 1997; the peak of the last bubble which was followed by a six-year slump and a fall in values by more than 50%. Analysts now forecast that residential property prices will fall by 10% as a result of the latest Government measures.

Legislative Council Passes Landmark Minimum Wage Bill

The Legislative Council has passed The Minimum Wage Bill, which creates a legal framework for a statutory minimum wage to protect low-income workers. The **initial statutory minimum wage**, which has been set at **HK\$28 per hour**, will be effective from 1 May 2011 and will be reviewed every two years.

According to official estimations, the statutory rate of HK\$28 per hour would represent 48% of Hong Kong's median hourly wage in the second quarter of 2009, involving around 314,600, or 11.3%, of the total number of employees in Hong Kong, and would bring about an average wage increase of 16.9%.

The Provisional Minimum Wage Commission estimated that the impact of the recommended rate on the overall unemployment rate and any inflationary impact would be relatively mild.

Protection for Consumers against Unfair Trade Practices

The Hong Kong Government recently completed a public consultation exercise on strengthening protection for consumers against unfair trade practices. Major legislative proposals set out in the consultation document included the creation of new criminal offences to prohibit common unfair trade practices; an extension of the current prohibition on false trade descriptions of goods to cover trade descriptions of services in consumer transactions; and new provisions under the Trade Descriptions Ordinance allowing consumers to institute private civil action against infringement of the proposed fair trade provisions. Details of the proposals are available at www.cedb.gov.hk/citb/ehtml/pdf/p_releases/press_e_2010_07_15.PDF





Chief Executive Mr Fernando Chui delivered his Policy Address for 2011



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Domestic - Macau SAR

Policy Address for 2011

In his policy address for 2011, Chief Executive Mr Fernando Chui pledged that the Macau Government would intensify the control over the gaming industry and promote orderly and planned development. His proposals included setting up a new database to record data of junket promoters and their associates, and revising gaming-related laws in order to promote responsible gaming.

Mr Chui also announced a 5% pay raise for all Macau public workers in 2011 and a MOP500 million program involving a three-year training subsidy of MOP5,000 to upskill residents aged 15 or above.

The Chief Executive gave cash handouts of MOP4,000 for permanent residents and MOP2,400 for non-permanent residents and MOP6,000 in to the central saving account of each permanent resident. All tax exemptions were extended to 2011.

The Chief Executive further announced that the Government would set up a MOP100 million fund for environment protection and energy conservation, start working on new legislation for a minimum wage in 2011, and progress plans to transform the Macau-Zhuhai Cross-Border Industrial Park into a "Cross-Border Cooperation Park". He reaffirmed the goal to create a food safety centre and a fund for the cultural and creative industries.

For the 2011 budget, the Government forecast a surplus of MOP22.14 billion. The Government expected to collect MOP57.4 billion in direct tax from gaming in 2011. Current direct gaming tax in Macau stands at 35% of casino gross gaming revenue.

Macau Posted Strong GDP Growth of 49.1% in 2Q2010

Led by the quick recovery of the gaming sector, Macau's GDP surged by 49.1% in the second quarter of 2010, and its GDP growth for the first quarter had been revised from 30.1% to 31.4%, with GDP in the first half posting real growth of 40.2%.

Secretary for the Economy and Finance Mr Francis Tam described the 40.2% growth in the first half as an improvement from a comparatively low base in the same period in 2009, when Macau was still affected by the global financial crisis. During the first and second quarter of last year, Macau's GDP contracted by 12% and 14.8% yoy, respectively.

Mr Tam forecast that Macau's GDP would achieve a double-figure growth for the entire year, but will slow in the second half of the year, offsetting the strong growth during the first half.

Analysts forecast the inflation rate to reach 2.7% this year, 3.4% in 2011 and 3.2% in 2012.

For the first eight months of 2010, Macau's **casino gross gaming revenue** increased 63% yoy to MOP117.9 billion (US\$14.7 billion). Secretary for the Economy and Finance Mr Francis Tam expected **the overall growth rate for 2010 to reach around 30%**, which would result in total casino gross revenues of US\$ 19.37 billion; whereas gaming operators and industry analysts forecast the overall growth rate to exceed 50%.



The Macau Government has introduced tougher measures to cool the property market