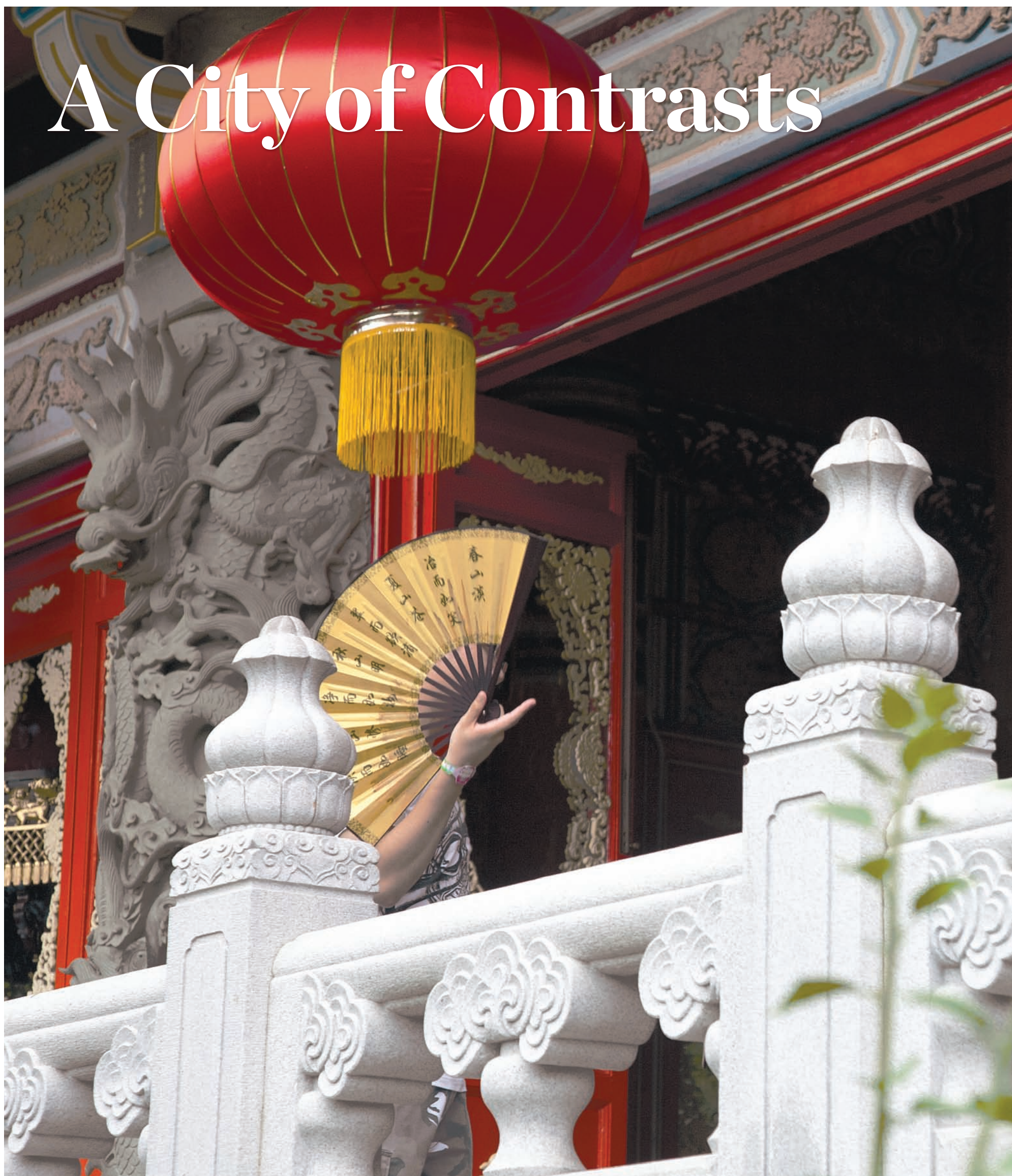


A City of Contrasts



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HONG KONG AND THE RISE OF ASIA

As the centre of gravity in the global economy shifts to Asia, and China in particular, AAA-rated Hong Kong is right at the heart of the region. **By Alejandro Reyes**

At a June reception for new or expanded foreign companies, the chief executive of Hong Kong raised a toast to thank some 350 executives for having confidence in the city. In 2010, Donald Tsang noted, foreign direct investment (FDI) in the special administrative region (SAR) of China reached US\$68.9 billion, 32% more than in 2009. In the first half of this year, nearly 200 overseas and mainland Chinese enterprises set up or expanded their operations in Hong Kong. "We want you to stay and grow and prosper with us," Mr Tsang told his guests. "Your success is our success."

Among those Mr Tsang welcomed was Bob Guard, who just a week earlier had opened the new Hong Kong office of Wm Morrison, the UK's fourth-largest supermarket chain making its first foray into Asia. The company chose Hong Kong because of its location at China's doorstep, within easy flying distance from all the main cities in the region. "The availability of diverse and high-calibre talent is also an attraction," said Mr Guard at the launch. "The ease of setting up a company in a legal system very similar to the UK is another important factor."

Location, talent pool, rule of law – these are among the three factors most often cited by investors who have flocked to Hong Kong, mainly as a platform for tak-

ing on the China market. This tide of arrivals has made Hong Kong the third largest recipient of FDI in 2010, behind the US and mainland China. All the more remarkable is that this surge is happening against the backdrop of the worst global economic crisis since the Great Depression.

Noteworthy, too, is that just 14 years ago Britain returned Hong Kong to China, raising among the city's people and the international community fears for its future. Soon after the handover, Hong Kong's economy went into a tailspin as Asia suffered its own financial crisis.

Yet the future turned out far better than even the most optimistic of Hong Kong's fortune tellers predicted. Last Decem-

ber, Standard & Poor's accorded the SAR what might be the most prized accolade any financial centre can receive when for the first time the agency gave it a top AAA sovereign credit rating, citing its economic flexibility and strong fiscal position.

The nine months since the upgrade have proven just how resilient and robust Hong Kong's economy is. Its recovery from the global recession has been stellar. GDP growth in the first quarter of 2011 was a remarkable 7.5%, although in the second quarter the pace of expansion moderated to 5.1%. The outlook for the short and medium terms is good, despite concerns about the direction of the global economy.

China and its own fast-growing economy have, of course, been the major factor in Hong Kong's healthy rebound. But it is not just about the mainland.

"Hong Kong is at the centre of the global market, with economic gravity shifting east towards emerging Asia," says Gregory So, Hong Kong's secretary for commerce and economic development. "Mainland China will be the key growth driver for the global economy. Hong Kong is in the best position to reap the benefits from the vibrant growth of Asia."

The China factor "is Hong Kong's single most competitive advantage," says Anthony Nightingale, managing director of the

Hong Kong-based multinational Jardine Matheson. "But we must never surrender our position as an international centre with a tremendous platform for doing business in Asia and the world."

Benjamin Hung, executive director and CEO of Standard Chartered Bank, agrees. "Through the crisis, Asia has been a strong leg [in the global economy], with Greater China the locomotive. This region is fundamentally very strong, with metrics that many countries covet. Here there is zero debt, a huge surplus, strong foreign currency reserves, high capital ratios and banks that are not overleveraged."

The growth of intra-Asian trade and the rise of domestic consumption in China are going to drive significant new growth in the Hong Kong economy, Mr Hung reckons.

Yet Hong Kong and its leaders are not simply sitting back and waiting for the rise of Asia and China to give it a boost. In addition to deepening its integration with the mainland, Hong Kong is implementing wide-ranging initiatives such as education reform and infrastructure projects, including the development of a district devoted to arts and culture.

"There is still quite a distinct difference between what we have achieved and stand for and our competitors around this region," says Chief Executive Tsang. "Hong Kong's strengths are there. We have very resilient people who are totally free spirited and work very hard. They make a lot of demands on every aspect of city life, including the way in which the government is run," he says. "There is a continued search for excellence."

GROWTH PROSPECTS ARE BRIGHT

INTERVIEW DONALD TSANG

HONG KONG'S CHIEF EXECUTIVE TALKS TO PETER DRENNAN



GETTY IMAGES

Hong Kong's growth is founded on solid economic fundamentals. What is your assessment of the medium-term economic outlook?

If you try to analyse why Hong Kong has become so strong, what have been the ingredients of our success, and then you look at the durability of these ingredients, then one would come to the conclusion that Hong Kong will remain pretty prosperous in the medium term, if not in the long term.

Our strength is derived first from our geographic location, being at the centre of East Asia, the focal point of all economic activities in the coming decades, and in particular we are a part of fast-growing China. The second ingredient is the infrastructural strength of Hong Kong. This includes a critical mass of professionals, particularly financial-services professionals. We have most of the world's largest banks located in Hong Kong. We have a huge number of multinationals, more than 6,000. These are not transient, this happened over a long period. If you understand the strengths of London – it is not in the eurozone but it is still the focal point of euro transactions in Europe – then you would come to the conclusion that it is because of the critical mass of financial experts who live in London. Here in Asia, they live in Hong Kong.

Then there's another part of the infrastructure, this includes our networking throughout the world and our networking in mainland China. We are the number one investor there. We are the number one investor in each and every province in China. So, if people want to do business in China, the location from where to enjoy the greatest experience will be Hong Kong.

Another part of the infrastructure is our legal system which is



based on common law, as distinct from the mainland. This is a very important point.

Is the 'China factor' Hong Kong's greatest competitive advantage?

This is perhaps the most important factor in the coming decade as China continues to grow at a more or less breakneck pace, nearly double-digit every year.

We are part of the nation and our prosperity is seen by our Chinese leaders as a significant part of the national growth, because we are able to do things which the nation itself cannot do, and the services we provide cannot be delivered by any other city in the country. For instance, as an offshore centre for renminbi, the provision of a common-law jurisdiction and the use of a convertible currency, which is far more important in a well-trusted economy. Hong Kong provides all of these things.

China's latest five-year plan devotes a chapter to Hong Kong, what are the most significant aspects outlined in the plan?



China's sustained economic boom has been a boon to Hong Kong. There are now some 800 mainland firms established in the city.

The plans, aspirations and objectives enshrined in that chapter are Hong Kong's own. We believe that we are able to contribute to national growth by being a global financial centre; a global centre for trade, for finance, for shipping, for aviation. And our strengths also lie in the new industries that we are nurturing or the communities we are nurturing, including our education services, health services, testing and certification, and innovation and technology. Those things are really part and parcel of Hong Kong's plans, but now they are being incorporated into our national plan because it is not only good for Hong Kong, it is good for the nation if these strengths continue to grow stronger over time.



You have invited more companies from the mainland and

OF ALL THE TRADE CONDUCTED IN RENMINBI BY CHINA LAST YEAR MORE THAN 90% WAS SETTLED AND CLEARED HERE.

other emerging markets to list in Hong Kong. What advantages does it offer?

I believe this is good for stability. Any multinational will have to find the way to raise capital and put their anchor somewhere, and they have been putting their anchors in Wall Street and in the City of London. Multinationals want their assets traded on a 24-hour basis. With Hong Kong's position in East Asia, we continue to trade while London and New York are sleeping.


And the liquidity pool in Hong Kong is huge; it is huge, safe and free. Money can move in and out at the press of a button, so it provides safety as well. We [also] have a low-tax regime, they will be taxed a lot less than if they're in New York or London for that matter. As far as the supervision issue is concerned, the Hong Kong standard is well known. We are not second to anybody in terms of our regulatory regime, particularly if they want to trade with the mainland, and that is quite an important aspect. In the past, bilateral trade was mostly dominated, or wholly dominated, in US dollars. Now, because of the strength of the renminbi, some of it is denominated in that currency. Remarkably, of all the trade conducted in renminbi by China last year, more than 90% was settled and cleared in Hong Kong.

There are now about 800 mainland firms established in Hong Kong, many of them as regional headquarters. On the Hong Kong Stock Exchange there are several hundred. Mainland firms listed in Hong Kong have a total capitalization of nearly 12 trillion Hong Kong dollars, that's about £1 trillion. Over the years they have raised about HK\$3 trillion in Hong Kong, this is what we can do for them.



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REALISING ITS GATEWAY POTENTIAL

While Hong Kong's economy is surging thanks to China's rise in the global marketplace, the mainland's fast growth is in large measure fuelled by investment coming from or through Hong Kong.

On a visit to Hong Kong in August, Chinese Vice Premier Li Keqiang announced a slew of measures meant to bolster the city's economy and deepen its integration with the mainland. Among them: plans to strengthen Hong Kong's role as the main offshore renminbi centre and make it easier for companies registered in the Special Administrative Region (SAR), including the local units of foreign enterprises, to expand their business in the mainland.

With Hong Kong's GDP growth humming along at more than 5% this year, the package of initiatives was widely viewed not as any sort of urgent rescue programme but as solid evidence of Beijing's support for the SAR's role as an international financial, shipping and trading centre and the central government's intention to strengthen cooperation, in particular by helping Hong Kong's emerging industries extend their business in the mainland.

"The China factor certainly is Hong Kong's competitive advantage because the whole world is looking at the mainland," says Margaret Fong, deputy executive director of the Hong Kong Trade Development Council. "What is less well known is that while Hong Kong has benefited enormously from having mainland China as our hinterland market, the mainland has also been the major destination for our investment for 30 years."

Hong Kong is the number one investor in the mainland – over US\$492 billion by the end of June, or 44% of China's total foreign direct investment.

That mutual benefit is fuelling Hong Kong's economic surge and is renewing

ECONOMY Hong Kong is China's biggest trading partner and helps fuel the mainland's growth via a two-way investment channel. **By Alejandro Reyes**

the city's confidence after having weathered the global economic crisis well. In response to the crisis, Beijing made it even easier for mainland residents to travel to Hong Kong, sped up cross-border infrastructure projects, and fast-tracked the growth of offshore renminbi business.

By the end of July, 616 mainland enterprises were listed on the Hong Kong Stock Exchange, accounting for 42% of all listed companies in the SAR and 55% of the total market capitalization. The mainland is Hong Kong's biggest trading partner, with two-way trade exceeding \$230 billion in 2010. Half of China's outward direct investment either originated in Hong Kong or went through Hong Kong to other parts of the world.

"It is very important that the world understands that Hong Kong is international, that we serve not just the mainland market but very much the Asian market and, for the mainland, we serve the world," Ms Fong says.

Hong Kong's critical challenge is

not to depend too much on reaping the benefits of the two-way flow of business and investment. Just as Hong Kong's manufacturing sector hollowed out in the 1980s after the mainland opened its doors and promoted economic zones along its coast, the SAR's service industries could follow suit, unless it works to maintain its competitive advantages, focuses on developing cutting-edge businesses and climbs up the value chain.

To this end, in 2009, Hong Kong Chief Executive Donald Tsang identified six industries as potential growth engines: education, medical services, green industries, innovation and technology, cultural and creative industries and testing and certification. The latter alone contributed \$653 million to the Hong Kong economy in 2009, up from \$577 million the year before.

"Even in a financial tsunami, we experienced growth in that industry," notes Gregory So, Hong Kong's secretary for commerce and economic development. "This industry assures overseas buyers of the quality and safety of products sourced in the region."

Mr So believes that as China adopts testing and certification standards and requires systems to enforce them, Hong Kong professionals can be at the forefront of providing them.

By promoting these emerging industries and strengthening its advantages in education and infrastructure, Hong Kong can maintain its competitiveness not just as a gateway for China but as the thriving service economy it already is, with capabilities beyond its tried and tested competencies in financial services.



PROPERTY BOOM DEFIES TRENDS

Many residential property markets around the world are stagnating or seeing falling values, but one is showing that price recovery can take on spectacular dimensions – Hong Kong.

Average house prices rose nine-fold in the 20 years before the Asian financial crisis of the late 1990s. They then fell back sharply, losing four-fifths of their value in three years (1999-2001) and were buffeted further by the trauma of 9/11 and the outbreak of the SARS respiratory disease.

But for the past seven years average prices have risen again, with increasing steepness, so that today they are only slightly below their 1998 peak. Estate agency Knight Frank calculates that luxury home prices in July reached HK\$21,600 (£1,698) per square foot, some 14% higher than just one year earlier. Rents for similar top-end homes reached HK\$49 per square foot in July, about 12% more than in 2010.

Four factors underpin Hong Kong's residential sector boom. Firstly, interest rates are at a historical low – base rate is just 0.5% – encouraging borrowers wishing to buy. Secondly, and related, investment sentiment about the HK economy is optimistic.

A third factor is that established demand for homes has been boosted by more mainland Chinese buyers than ever seen before. They now account for some 30% of all sales, and this is expected to rise further in the near term.

"Expats prefer traditional areas such as Mid-levels and Southside. Investors like traditional areas for yield returns and newly emerging areas for capital growth – Kowloon Station or Central. Mainlanders are attracted by luxury developments, mostly Kowloon. They often buy trophy assets for occasional use," explains Simon Smith of estate agency Savills.

A fourth factor is that there is a limited supply of homes being built annually compared to the number of buyers; the Hong Kong Housing Authority says new housing supply is forecast to be 13,000 units a year until 2016, with demand at least 20% above.

This demand-supply imbalance is key, explains Denise Yam of Morgan Stanley's Greater China economics team. She says: "The government responded to the Asian financial crisis and asset market correction in the late 1990s with a massive shrinkage in housing supply. This supply has not been revived again in reaction to the recovery in the Hong Kong economy, the improvement in investment sentiment, and the increased southward flow of consumption and investment."

So is Hong Kong's current residential market boom just a bubble, likely to burst soon? No, according to Colin Fitzgerald, managing director of Knight Frank's Greater China team. "The possibility of a significant drop is slim,

although sales volumes are likely to be lower in the short term amid current stock market volatility and the government's determination to curb the property price surge."

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THE 'CHINA FACTOR' IS A KEY COMPETITIVE ADVANTAGE

INVESTMENT Global survey shows the sentiment of major corporations. **By Helen Jones**

Hong Kong's status within the global economy is reflected in its record high ranking as the third largest recipient of global FDI flows."

Simon Galpin, director-general of InvestHK, Hong Kong's department of foreign direct investment, has much to feel good about. Last year, for the first time, Hong Kong trailed only the US and China as a recipient of FDI. According to the United Nations Conference on Trade and Development World Investment Report 2011, FDI hit a record HK\$537 billion (US\$68.9 billion) up 31.5% from 2009.

"With Hong Kong positioned at the heart of Asia and as the gateway to China, it is clearly benefiting from the shift in economic interest to the east," Mr Galpin adds.

Businesses seem to think so.

In a survey commissioned this year by the global property consultancy CB Richard Ellis, Hong Kong ranks as the most popular location for global business with 68.2% of the world's major companies having a presence in the city as a regional hub.

"Hong Kong is attractive to international businesses due to its location, lack of foreign ownership restrictions and its international and highly skilled workforce. It is the key city for accessing China and is set to benefit most from the gradual liberalisation of the Chinese financial-services market," says CBRE's director of research, Edward Farrelly.

Hong Kong's success, Mr Galpin adds, is founded on its long-established reputation as a global shipping, trade and financial centre, its infrastructure, its transport links, its ability to attract talented individuals from around the world, its entrepreneurial spirit and its legal system based on common law, but perhaps

most importantly, its location.

"Hong Kong is at the centre of East Asia. If you want to access opportunities elsewhere in the region then no other city can cover so many business centres – Shanghai, Beijing, Singapore or Kuala Lumpur – so easily from one location."

But perhaps Hong Kong's greatest advantage is the "China factor," its unrivalled relationship with the mainland.

"We have been trading with the rest of the world for over 100 years, but at the same time we were the first to go into mainland China the moment it opened in 1979 which means that we are the only place with over 30 years' experience in dealing with the mainland," says Margaret Fong, deputy executive director of the Hong Kong Trade Development Council. This, she says, gives Hong Kong a unique perspective: "For someone from a different culture it would be difficult even to know where to start, who to talk to and what you are looking for. This is the Hong Kong advantage; we understand both markets and we have the talent already trained in both."

Among the companies to have benefited from Hong Kong's expertise, Ms Fong says, is L'Occitane, the French skincare brand which started with a handful of shops in Hong Kong – it now has 22 there and 71 in mainland China as of July. "Some 22.7 million mainland tourists visit us and they see quality goods here. Once a brand is successful here, they go to the mainland and it takes off. This applies to all lifestyle brands."

But Ms Fong says that Hong Kong's appeal goes beyond its relationship with China.

"We want to think of Hong Kong as Asia's international business hub,

we don't want to forget about the rest of Asia. If you look at Indonesia for example, they have over 260 million people so you're talking about big markets there too. First timers from Europe and the US going into these markets need to find a base and a reliable partner to help mitigate the risks and better understand what it is all about. In Hong Kong we practice common law, we have open and transparent regulatory systems and we have a free flow of information,

capital and people."

Hong Kong, traditionally associated with the financial services and logistics sectors, is now focusing on a range of new areas to attract foreign investment including public health, green and renewable energy, creative industries such as graphic and product design, and education – the public school Harrow will open Hong Kong's first international boarding school next year.

There are currently over 6,000

multinationals based in Hong Kong and while FDI is at record levels, InvestHK's Mr Galpin says there are still some challenges.

Perhaps the biggest of these is to convince smaller, high-growth companies from overseas that Hong Kong is a suitable base. "Some smaller companies assume that Hong Kong is only for big multinationals, but in fact it is very easy to set up here and we are beginning to get a lot of UK SMEs setting up offices".



Jack So Chak Kwong, GBS, OBE, JP
Chairman,
Hong Kong Trade Development Council

Welcome to our "Think Asia, Think Hong Kong" symposium, the largest-ever Hong Kong promotion organised in the United Kingdom.

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CURRENCY Used increasingly for trade settlement, China's yuan is on the road to full convertibility.

ROBUST RENMINBI GAINS WORLD'S ACCEPTANCE

At an April summit on the Chinese island of Hainan, the leaders of the informal group of countries known as the BRICS – Brazil, Russia, India, China and South Africa – agreed to conduct more of their trade in their own currencies. While this accord may have been more symbolic than substantive, it is likely to promote the growing use of the Chinese renminbi in trade settlement, especially by countries with which China is the biggest trading partner or in which it is the largest investor.

The expansion of offshore renminbi business since the middle of 2010 has been remarkable. In the first quarter of 2011, China's cross-border trade settlement amounted to RMB360 billion (£35.1 billion), or 7% of the total, up from 5% in the previous quarter. Banking giant HSBC expects more than half of China's total trade with emerging markets to be settled in renminbi within the next two to four years. By the end of August, RMB88 billion in bonds had been issued in Hong Kong this year, data gathered by Thomson Reuters indicate.

According to Charley Song Lin, chairman of China Resources (Holdings) Co., internationalising the RMB



is "quite instrumental" to China's strategy of allowing its enterprises [to] go global as a way for them to become more competitive at home, especially as the Chinese economy opens further to foreign participation. "The Chinese economy has

expanded to such a stage that the internationalisation of its currency is an inevitable event," explains He Guangbei, vice chairman and chief executive of Bank of China (Hong Kong). "Without it, development of the Chinese economy may be confined." More and more Chinese businesspeople will use renminbi when they go abroad to invest, Mr He predicts. "This provides us with a lot more business opportunities."

Expanding the use of the renminbi for trade settlement and foreign investment is essential to driving the global liquidity of the currency that is needed to support full convertibility, a long-term goal of China. For the renminbi to be fully convertible, it has to be widely traded around the world, used by Chinese to make investments overseas and by foreign investors inside China, and held as a reserve currency by central banks.

Hong Kong is playing a central role in the RMB's internationalisation.

Seven years ago, Hong Kong monetary authorities began allowing individuals to hold renminbi bank deposits. About 18 months later, corporations were allowed to do so. In July 2007, with the green light from the Chinese Central Bank, China Development Bank issued the first renminbi-denominated bonds in Hong Kong, totalling RMB5 billion. The Bank of China and other mainland commercial banks followed. Two years later, HSBC issued RMB1 billion in bonds to institutions, while the Bank of East Asia sold bonds retail. In October 2009, China's Finance Ministry launched its first sale of sovereign renminbi bonds

with a RMB6 billion issue.

China's plans to establish Shanghai as an international financial centre by 2020 suggest that Beijing aims to achieve full convertibility of the yuan by then. For that to happen, "the internationalisation of the renminbi is a must because you would need to have international recognition before it could become the third reserve currency," says Peter Wong, chairman of HSBC Bank (China) Co. Global financial conditions indicate that the time is right for this logical step. "Because of the depreciation of the US dollar and the financial issues that Europe is facing, suddenly it looks like China is coming up," Mr Wong notes.

Renminbi deposits in Hong Kong shot up from less than RMB50 billion at the end of 2009 to over RMB400 billion at the end of 2010. They are

expected to reach RMB1 trillion by the end of this year. This rapid growth has opened the way for the introduction of an increasing range of renminbi-denominated investment vehicles in Hong Kong, including an increasing number of debt issues, now widely referred to as "dim sum" bonds.

Hong Kong "can act as a test ground for internationalisation of the renminbi," because it is an established international financial centre and has the necessary infrastructure, Bank of China's Mr He says.

Adds Benjamin Hung, executive director and CEO of Standard Chartered Bank: "Hong Kong serves as both experimental ground and a firewall. We run trials, and if the outcomes are less than ideal, we change. Hong Kong has a unique role that no other geography can take on."

THINK ASIA, THINK HONG KONG

The Hong Kong Trade Development Council is organising a major Hong Kong promotion – "Think Asia, Think Hong Kong" – in London, Leeds and Edinburgh this week. More than 40 Hong Kong partners and British organisations will take part in the week-long event, the focal point of which is a symposium and series of seminars bringing together business leaders to discuss trends and business opportunities across Asia. In addition, HKTDC will run a separate forum for Hong Kong and British businesses in the technology sphere. The Hong Kong Tourism Board too will host a street carnival and a food and wine promotion and will be working with the Hong Kong Film Development Council and the British Film Institute to showcase Hong Kong cinema in London.

To find out more about "Think Asia, Think Hong Kong" visit www.thinkasiathinkhk.com

A GLOBAL LEADER FOR RAISING CAPITAL

IPOS City emerges as a major player in the highly competitive market for fundraising by international companies, writes Jonathan Gregson

In recent years Hong Kong's stock exchange has become a global leader for companies seeking to raise new capital through initial public offerings, or IPOs. Much of this new business has traditionally come from mainland Chinese enterprises seeking a Hong Kong listing, yet over the past 18 months more international companies, including global brands such as Prada and Samsonite, have chosen Hong Kong over local bourses.

"We have had more IPOs than any other market for two years in a row," says Prof. K.C. Chan, Hong Kong's Secretary for Financial Services and the Treasury, adding that the total market value of companies listed on the exchange is nearly 10 times larger than Hong Kong's gross domestic product.

Last year saw a record 114 companies raising HK\$445 billion (£35.2 billion) on the HKSE, according to accountancy group PricewaterhouseCoopers, which predicted that Hong Kong would be among the top IPO rankings again in 2011, although overall volumes would be down as part of the current global trend.

But it is the emergence of Hong Kong as a major player in the intensely competitive market for fundraising by global corporations – where it has been winning market share from more established centres like London and New York – that is focusing the attention of both CEOs and the investment banks that advise them. In the first half of this year, capital raised by foreign companies on the HKSE reached HK\$105.5 billion, equivalent to more than half of the total proceeds raised on the exchange.

But the extreme volatility of global markets over the summer has forced some international companies, like US accessory group Coach or fashion house Jimmy Choo, to postpone plans for Hong Kong IPOs. Nonetheless,

Prof. Chan points to other reasons why Hong Kong will continue to attract international IPOs: its role as the premier financial centre for Asia and for China, confidence in its financial regulation, a legal tradition based on English common law and widespread use of English. These are, he says, "the fundamental strengths of Hong Kong."

There is also the size and depth of the Hong Kong market which, largely because of the number of Chinese companies that have launched IPOs and are listed there, means that capital markets – including the stock market – are many times larger than would be needed for the size of the local economy.

And Chinese companies are likely to continue seeking a Hong Kong IPO as a stepping stone to expanding into global markets, especially now that the "China Gap" – the difference between Hong Kong and the mainland in terms of the pricing of the renminbi, corporate governance, transparency and accounting standards – is narrowing.



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* Left: Zhang Xigang's triptych oil painting 'Forever Lasting Love'. Below: A rare pair of cloisonné and champlevé enamel gilt-bronze circular 'chun' boxes and covers. Bottom left: 'Self-Portrait' by Zeng Fanzhi.



ART IN THE CITY BIDDING BATTLES

ART From contemporary art to calligraphy, jewellery and wine, auction houses thrive

At Sotheby's packed Hong Kong auction room one evening in April, prospective buyers battled it out for 105 pieces of contemporary Chinese art from a collection amassed by Baron Guy Ullens of Belgium.

"The combination of quality, rarity and extraordinary provenance led to extended bidding battles amongst prospective buyers. Buyers were from all corners of the world," says Evelyn Lin, Sotheby's head of contemporary Asian art, who describes the sale as "the highlight of my career."

The star of the show was "Forever Lasting Love," a triptych oil painting of semi-naked figures by the Chinese artist Zhang Xigang which had an estimate of US\$3.2 million (£1.97 million), but eventually sold, after fevered bidding, for US\$10.1 million – a record for contemporary Chinese art. The entire Ullens collection sold for US\$54.8 million – far beyond the estimated US\$16.7 million, and a sign of the growing interest in the sector. In 2004, when Sotheby's held its first sale of contemporary Chinese art, it raised

a mere US\$2.9 million.

But it's not just contemporary art that is exciting buyers at auction houses in Hong Kong. Christie's spring sale series in May included contemporary and modern art, classical paintings and calligraphy, jewellery and wine and raised US\$515 million – up 68% from the same period last year.

Francois Curiel, president of Christie's Asia, says: "Strong bidding with moments of passionate enthusiasm was the hallmark of the week of spring auctions."

Sotheby's Hong Kong spring sales reached US\$447 million across a range of categories. Says Kevin Ching, CEO of Sotheby's Asia: "Over eight days, we offered more than 3,600 lots across eight different collecting categories and every day we saw records broken."

Christie's Mr Curiel says Asia is becoming the focal point for the international art market. "The growth of the art market in Asia is greater than anywhere in the world. This is due to the strength of the economy and also to the great appetite of Asian collectors for quality works of art."

A report published in March by the Netherlands-based European Fine Art Foundation showed that China is the second biggest art market in the world after the US, fuelled by the growing number of US dollar billionaires – which doubled this year to 115. Wealthy Chinese investors are turning to the art market. Several Chinese financial institutions have set up funds to invest in Chinese art and Chinese corporations are building their own art collections. Hong Kong, which is already home to the world's leading auction houses, is well located to take advantage of this growing Chinese interest.

Jonathan Stone, chairman and international head of Asian art for Christie's, says: "Hong Kong has now firmly established itself as a major art and auction hub in the world, in the same way as New York and London. Other

art and collecting events such as the Hong Kong Art Fair, the Hong Kong Art & Antiques Fair and numerous art shows and gallery exhibitions also help to draw global collectors."

In the past, Chinese classical paintings and ceramics were highly sought after by Western collectors, and while they still buy these pieces, they are facing intense competition from Chinese buyers. Chinese collectors are buying back some of their heritage: at Christie's spring sale of traditional Chinese art more than 90% of buyers were from China, Hong

Kong and Taiwan.

"Many Chinese buyers begin with Chinese art because they are familiar with the subject matter and they wish to own rare and exquisite art from their own culture," says Mr Stone. "However, they have been active in other collecting categories. They have shown increasing interest in contemporary art, where we saw nearly 60% of successful buyers being Chinese."

Further growth in the Hong Kong market is expected when the autumn sales begin this month and next. Sotheby's is offering iconic pieces of Imperial Chinese porcelain, contemporary Chinese art and a collection of jade and jewels, including a pink diamond ring with an estimate of US\$19 million.

Meanwhile, Christie's will be selling a collection of rare and vintage wines. —**Helen Jones**

ALVIN LEUNG DELIVERS 'X-TREME CUISINE'

* Bustling Wan Chai is where Bo Innovation, the creation of 'Demon Chef' Alvin Leung, can be found. His experimental cooking is a contemporary take on traditional Chinese dishes. Below, the chef himself.



FOOD Finding innumerable innovative ways to please people's palates, this chef has grand designs on London.



expected under Leung's orchestration. A starter of oysters, spring onion and ginger may take inspiration from a classic Cantonese dish that's served sizzling hot in a casserole pot but is reimagined as a chilled amuse bouche with a slippery mollusc rested on a ceramic spoon, slicked in lime sauce, dusted with flash-frozen ginger "snow" and enveloped in a sea spray-like white mist. In another fanciful concoction, Leung grinds sundried shrimp (*har mi* in Cantonese) into a fragrant sauce and tosses it with chilli oil over thin, handcrafted noodles. On the side, a Carabiniro shrimp sashimi lies flat on its belly with the head wrapped in a crispy wonton sheet filled with sweet shrimp roe mousse.

On paper, Leung reached the zenith in 2008 when the inaugural Michelin Hong Kong guidebook awarded his restaurant two stars. But the irreverent chef asserts that the best is yet to come. "Bo is always evolving and in the last year and a half I've finally [found] what I feel is the correct way of building a menu," he says.

Leung is quick to attribute Bo's success to his staff, citing the high calibre of chefs that have emerged from the restaurant. Adeline Grattard, his former chef de cuisine, went on to win a Michelin star of her own with her fusion restaurant YamT'Cha in Paris. And just last year, Chris Keung, his senior sous chef, was awarded the Young Chef of the Year title at the San Pellegrino Cooking Cup in Italy.

Having firmly established his status in Hong Kong's restaurant industry, the 50-year-old Chef is ready to export his brand of avant-garde Chinese cuisine to the international market. His first overseas venture is set for London and will be unveiled either by the end of this year or next spring. What can diners expect from this flagship restaurant? Largely the same as Bo Hong Kong, Leung explains, "something that people will find fascinating but also something people will enjoy."

Bo Innovation Shop 13, 2/F, J Residence, 60 Johnston Rd, Wan Chai, +852 2850 8371; www.boinnovation.com

Dorothy So is the food and drinks writer for Time Out Hong Kong www.timeout.com.hk



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CHRISTIE'S IMAGES LIMITED 2011 (2)

TWO OPTIONS ARE TABLED FOR AIRPORT'S GROWTH



AVIATION The government is weighing options for a major redevelopment project to serve the future, **writes Philip Butterworth-Hayes**

By the end of this year Airport Authority Hong Kong will deliver to the government its preferred option for a major redevelopment of Hong Kong International Airport.

The government's decision on how, or whether, the airport will grow beyond 2020 will have profound consequences for the economic prospects of the region. According to the Geneva-based International Air Transport Association, aviation employs 250,000 people and supports 8% of Hong Kong's gross domestic product. The airport sits at the heart of the "four pillars" which dominate Hong Kong's economy: financial services, trading and logistics, tourism and professional services.

There are two options on the table. Option one, costing HK\$23.4 billion (£1.85 billion), is to maintain the existing two-runway system but develop the terminal and apron facilities to increase HKIA's capacity to handle a maximum of 74 million passengers and six million tonnes of cargo a year by 2030 (from 50.9 million passen-

gers and 4.1 million tonnes of cargo last year) – but limit any further growth to within the confines of the current airport.

Option two is far more ambitious. This HK\$86.2 billion plan would expand the airport from two to three runways, so that HKIA would be able to handle up to 97 million passengers and 8.9 million tonnes of cargo by 2030.

Option one would effectively put a cap on aviation growth after 2020, if demand for air services grows at current rates, but would satisfy many of the environmental objections to developing the airport further. Option two would ensure that the phenomenal growth rates seen at the airport could continue, if the market remains positive, at least until 2030.

Over the past 10 years, the airport has benefited from the huge economic growth in the nearby cities of mainland China. "One-third of our traffic is transit/transfer and for a large proportion of that the origin is the Pearl River Delta," says Eva Cheng, the secretary for transport and housing.

Last year's 23% increase in cargo volumes – due mainly to continued growth in Chinese trade and Cathay Pacific's rise to become the largest international air-cargo carrier – saw the airport overtake Memphis International as the world's busiest cargo hub. For the first six months of 2011, passenger numbers have continued their inexorable rise – up 5.7%. Freight volumes, however, have fallen 2.3%, reflecting a



Hong Kong International is the world's busiest air cargo hub and the 11th busiest passenger airport.

slowdown in global demand for manufactured goods.

Despite this blip, the indications for long-term growth in Hong Kong remain positive.

Between June and September the Airport Authority opened a public consultation process on the two proposals, so residents and businesses could give their views. The authority is currently evaluating the responses, incorporating them into its final proposal to the government later this year.

"If you're looking at demand by 2030, around that time, we're going to be saturated," says Stanley Hui, the Airport Authority's CEO. "Now, do you want to go forward? Obviously, there'll be certain costs and implications for doing that so the community has to really consider them and tell us whether they think it's worthwhile. This is a piece of infrastructure that's going to affect everybody in Hong Kong so I think it's only fair that they be given the opportunity to look at it, understand the implications and express their opinion."

Not surprisingly, the fast-growing Hong Kong-based airlines want to see a third runway, not just to ensure that the four pillars of the region's economy can be developed, but to ward off increasing competition from neighbouring hubs.

"Aviation is really the hard ground on which these pillars are supported. If you didn't have aviation growth available you would not have the strength in those service

industries," says John Slosar, Cathay Pacific's CEO. "Hong Kong is home to about 3,500 regional corporate headquarters, employing about 140,000 people, probably more now... But Seoul plans to have five runways by 2020, there's a new airport opening in Bangkok, there's a new terminal being built in Taipei, Singapore is expanding. I think, arguably, Hong Kong has got the top position now but you can't ignore the competition around you."

Cathay Pacific is not the only Hong Kong-based airline to advocate a three-runway future in support of its dynamic growth plans. Over the past four years, Hong Kong Airlines has developed from an operator of primarily regional services to mainland Chinese cities into a global airline, serving destinations such as Moscow, Tokyo, Osaka and Singapore. In January, the airline was given a four-star rating by SKYTRAX.

"It is of vital importance for the economy and to the very survival of Hong Kong as an aviation hub," Yang Jian Hong, president of Hong Kong Airlines, agrees.

"Based on our order books alone, expansion is required. China is experiencing 15% growth year-on-year and this is 3.5 times faster than in the rest of the world. We are seeing load factors of 80% to 85%. The incentive to travel is enormous in the Chinese market. We see the mainland as a catchment area and Hong Kong as a springboard to the rest of the world."

EDUCATION SYSTEM IS IN A CLASS OF ITS OWN

While some dons dismiss them as gimmicks not based on sound research, universities eagerly await the results of annual quality rankings. In May, the global career and education network company Quacquarelli Symonds (QS) issued its latest list of the best 200 universities in Asia. At the top for the first time was the runner-up in 2010, The Hong Kong University of Science and Technology (HKUST), which was followed by last year's number one, the University of Hong Kong (HKU). National University of Singapore and the University of Tokyo took the third and fourth spots. Fifth was The Chinese University of Hong Kong.

The results caused a minor stir in Hong Kong because upstart HKUST, celebrating only its 20th anniversary this year, eclipsed centenarian HKU, the oldest university in the city.

"It shows what a young university like ours can achieve if we do things right," says Professor Tony Chan, HKUST's

president since 2009. "We started out making the right decision to be a research university. We hired the best people from around the world. And we have good support from society and the government." HKUST's international outlook and location in Hong Kong, a global city that is part of China, have also been keys to its success, Professor Chan reckons. The rise of Asia and China in the global economy set the stage.

The fact that three out of five of the highest-ranked institutions on the list are located in the Special Administrative Region (SAR), "reflects well on Hong Kong's whole education policy," adds Professor Chan. "We are only a city of seven million people."

Hong Kong typically performs well not just in rankings of universities but also in studies of education system quality such as the highly

regarded PISA, the Program for International Student Assessment, conducted by the Organisation for Economic Cooperation and Development. PISA tests about half a million 15-year-old students in over 70 countries and economies around the world to evaluate their ways of thinking and working and their career readiness.

In its 2009 report released last year, Hong Kong ranked first in reading literacy and third in both mathematics and science. The study identified the SAR, which offers 12 years of free schooling, as having one of the world's top-flight education systems, along with South Korea, Singapore, Finland, Canada, Japan, New Zealand and Shanghai.

These results reflect Hong Kong's investment in education, which accounts for a quarter of government spending. "We put money into education and that definitely reflects our priorities," explains Michelle Li, Hong Kong's deputy secretary for

education. "We need people with entrepreneurial spirit, creativity and flexibility. Our knowledge base is very, very important."

Top educational institutions around the world, such as Yale and the Kellogg School of Management at Northwestern University in the US, have recognised Hong Kong's success and have established facilities in the city or set up programmes or joint ventures to serve local students and others from around the region.

Elite school Harrow will launch the first international boarding and day school in Hong Kong in September 2012. Kellogg's executive MBA programme, run in partnership with HKUST, is consistently ranked among the top such programmes in the world.—AR



CREATIVE CLUSTER

In a 2003 policy address, Tung Chee Hwa, then Hong Kong's chief executive, said the government would "inject a new dimension and vigour into our economy by actively promoting creative industries."

Since then – and reinforced by current Chief Executive Donald Tsang in 2009 – a number of initiatives have seen the city become a hub for a sector that covers film, graphics, architecture, industrial design, electronic entertainment, animation, fashion, art, music, television and more.

"Creative industries have been identified as one of the six economic areas with high growth potential," says Jerry Liu, who heads up Create Hong Kong, an agency set up in 2009 to drive the creative sector, nurture talent and explore new markets. "The landscape of creative industries in

Hong Kong is dominated by small and medium size enterprises."

Andrew Davis, associate director-general of InvestHK, is enthusiastic. "It's cheap and easy to start a business here, and it's a melting pot of creative people and ideas in everything from phone apps to computer graphics."

According to Mr Davis, Hong Kong currently has 32,000 companies operating in the creative sphere. They employ 176,000 people and account for HK\$60 billion (£4.7 billion), or about 4% of gross domestic product. There is considerable opportunity for growth given that the sector accounts for approximately 8% and 7% of GDP respectively in the US and the UK.

But it's a work in progress, Mr Davis adds. "It's not about putting money in, it's about taking costs out. What we do is more useful

CREATIVE INDUSTRIES A 'cultural capital,' the city is fast becoming a hub for product design, fashion, filmmaking, music and television, supported by public policies, **writes Gary Jones**

to small creative companies; we greatly reduce barriers to entry."

Michael Young's eponymous product-design operation set up in Hong Kong in 2006, having migrated from London via Iceland, Belgium and Taiwan. The award-winning designer, originally from Sunderland, now boasts an impressive client list that includes Lacoste, EOps, Artemide, Schweppes and Georg Jensen. "There's a hyperactivity in Hong Kong that you rarely find elsewhere," he says. "Creative things happen quickly here."

Mr Young says Hong Kong has three key advantages over its competitors: the high concentration of entrepreneurs, a strategic location and the fact that it's a thriving international port. "My clients are split roughly 50-50 being from China and Europe. Those from overseas do see Hong Kong as an epicentre, and most have offices here. Hong Kong is a crossover city, a gateway city for China, for Vietnam, for the Philippines and the rest of Asia."

In 2007, Canadian Collin Thompson took a life-changing



*** Top left: The Meridian bag from CIPHER. Top: CIPHER's The RADIAL shoe and Michael Young's new Hacker watch.**

decision, moving to Hong Kong to build CIPHER, an upmarket sneaker and urban lifestyle brand that has proved popular with musicians, artists and celebrities. Mr Thompson believes Hong Kong has the ingredients to foster creativity and entrepreneurship. "Hong Kong is a frontier and the centre of a global economic and cultural shift."

But why not London, New York, Paris, or other cities that are considered the world's fashion capitals? "Hong Kong is a fashion capital, this is a cultural capital," Mr Thompson says. "Hong is so international, with people from everywhere all mixing together. It's what the world is going to look like in 50 years."

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Westminster Clock Tower, London (Photo courtesy: VisitBritain)

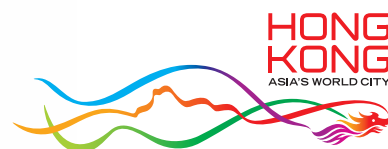


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IT IS OF VITAL IMPORTANCE FOR THE ECONOMY AND TO THE VERY SURVIVAL OF HONG KONG AS AN AVIATION HUB.

FILMMAKING FLOURISHES



Left: Aarif Lee picked up a Hong Kong Film Award for his moving role. **Below:** Buzz Chung pretending to be an astronaut.

Courtesy of Big Pictures Ltd, Film Development Fund, DADI Century (Beijing) Ltd and DADI Entertainment Ltd.

CINEMA Local productions are growing along with box office receipts as filmmakers focus on China, writes **Mathew Scott.**

If you want an indication of just how cinema pulses with the very heart of Hong Kong, look no further than the case of Echoes of the Rainbow.

Pieced together in 2009 by the filmmaking team of director Alex Law and producer Mabel Cheung, Echoes is a simple tale that follows the struggles faced by an immigrant family dealing with life in 1960s Hong Kong. It was made on a shoestring budget of HK\$3.6 million (£285,000) provided by Hong Kong's Film Development Fund and Mr Law and Ms Cheung thought their "little film" might find modest success.

But Echoes ended up being the critical and box office surprise of 2010, picking up four Hong Kong Film Awards and almost HK\$25 million in local box office receipts. Not only did the film strike a chord with the public, even the politicians tapped into the wave of nostalgia the film created and moved to permanently preserve the old tenement buildings on Wing Lee

Street, where the film was shot.

Depending on exactly who it is you talk to, Hong Kong's love affair with cinema started either with a film of which only rumours remain (Stealing a Roast Duck, 1909), or with a 1913 film from which only one faded image still exists (Zhuangzi Tests His Wife). What's not in dispute is the fact that the film industry here has very closely followed the fortunes of the city itself.

Filmmakers – chief among them the "father of Hong Kong Cinema," Lai Man-wai – helped chart the histories of Hong Kong and mainland China in the

1920s and 30s, with their urban comedies and historical epics.

Post-WWII saw Hong Kong thrive and so too did its cinema with the emergence over the next few decades of the mega-studios and the likes of Shaw Brothers and Cathay and later Golden Harvest producing hundreds of films a year. From these fertile creative grounds sprung the talents of Bruce Lee and Jackie Chan and, later, the golden age of the 1990s when films such as John Woo's The Killer (1999) helped frame what the world came to expect from the action genre.

Lately, Hong Kong producers have been looking more and more to China and to the possibilities that are fast developing across the border.

The bare facts show that local productions rose in Hong Kong last year – from the 52 films completed in 2009 to 55 – while box office receipts climbed to around HK\$300 million, up from the previous year's HK\$248 million. The

critical and box office success of the likes of Ip Man 2 and Detective Dee and the Mystery of the Phantom Flame showed that Hong Kong audiences still love their action – but again there was a place for productions like the comedy, 72 Tenants of Prosperity.

In reality it is what's happening further north that is really invigorating the Hong Kong film industry. China is currently in the midst of a cinematic boom: more than 1,400 cinemas are being built there each year, and box office receipts in 2010 grew a stunning 64% to 10.2 billion yuan (£986 million).

The catch though is that China only allows 20 foreign films to screen in its cinemas each year – and that's precisely where Hong Kong comes in to play. Co-productions with Chinese filmmakers are exempt from the quota and as China's film industry expands, it is increasingly looking to Hong Kong for guidance. Hong Kong-China co-productions accounted for eight of the top 10 box office earners in China last year.

"Hong Kong filmmakers in all the disciplines – producing, directing, art department, martial arts, post-production, marketing, distribution and legal – have been one of the major driving forces behind the rapid growth of the film industry in China for the last eight years," says producer Nansun Shi, whose Distribution Workshop help put together the recent box office hit, Overheard 2.

That film brought in around HK\$6.5 million in Hong Kong in its opening week and 80 million yuan from cinemas in the mainland – a sure sign, Ms Shi says, of how Hong Kong cinema can compete in the modern market play and of how it can thrive.

HONG KONG FILM WEEK IN LONDON

This week, five films over five nights will showcase the kind of diversity that has long seen Hong Kong play such an influential role in global cinema. Here's a guide to what's on:

OVERHEARD 2

(Dir: Alan Mak, Felix Chong. 2011): Part of the team that brought the acclaimed Infernal Affairs series to the big screen, here they turn their attention to the intrigues of the financial world, with veteran actor Lau Ching Wan taking the lead role as an unscrupulous trader, while Louis Koo and Daniel Wu play the cop and spook trying to unravel the man's mysterious dealings. Overheard 2 plays up the tension, the pace and the utter panic that goes hand-in-hand with the often-grubby world of high finance. Monday, Sept. 12; 7:45pm. The May Fair Hotel, Stratton Street, London, W1J 8LT.

IP MAN

(Dir: Wilson Yip. 2008): Yip's high-octane box office smash picks up the story in 1930s Foshan as the Japanese invade, turning the city upside down. Standing up to this evil is the martial-arts master Ip Man and the reward for his impudence is a showdown with the general leading the invading troops. This is more a re-imagining than a straight, factual re-telling of the life and times of the legendary kung fu teacher – who would later pass on his tricks to Bruce Lee. Tuesday, Sept. 13; 6:30pm. Prince Charles Cinema, 7 Leicester Place, London, WC2H 7BY.

ECHOES OF THE RAINBOW

(Dir: Alex Law. 2010): An immigrant family struggles with the very real problems of day-to-day life in 1960s Hong Kong in this acclaimed reflection on times long gone. Echoes is dreamlike in its sentimentality but that never detracts from the very human drama at its core. Starring Hong Kong veterans Simon Yam and Sandra Ng, it was Aarif Lee who picked up a Hong Kong Film Award for his moving depiction of a young man forced to face the brutal facts of life. Weds, Sept. 14; 6:30pm. Prince Charles Cinema.

LOVE IN A PUFF

(Dir: Pang Ho-cheung. 2010): Novelist-turned-filmmaker Pang Ho-cheung has built his career on an ability to identify the often-peculiar habits of his fellow Hongkongers and to celebrate them at the same time. Here's a case in point – a romance forged by the city's anti-smoking laws. Shawn Yue and Miriam Yeung play office workers drawn together when they are forced outside to smoke their cigarettes. It's there that they share the hopes and dreams they have for themselves – and their city. Thurs, Sept. 15; 6:30pm. Prince Charles Cinema.

THE BEAST STALKER

(Dir: Dante Lam. 2008): The streets are mean and the people are nasty in this gripping thriller which pits a cop (Nicholas Tse), haunted by a past mistake, against one of Hong Kong cinema's great villains (Nick Cheung). Lam frames the city like a waking nightmare with danger, violence and regret around every corner, and while the film marks the emergence of Tse as a grown-up star, in the end it's all about Cheung's heartless assassin, a role so brutally realized it brought him six best actor awards. Friday, Sept. 16; 6:30pm. Prince Charles Cinema. —Mathew Scott

TECHNOLOGY GAINS TRACTION



CYBERPORT

INNOVATION Government's investments in tech-friendly facilities and programmes aim to further boost the city's strengths. By Gary Jones

When, in 2003, a European Space Agency spacecraft blasted off for Mars, it carried a rock-sampling tool – expected to be the first ever to drill into the surface of the red planet – that had been jointly developed by a Hong Kong dentist and engineers at Hong Kong Polytechnic University.

The Mars Rock Corer was symbolic of a city that had long

shaken off its low-tech reputation to become a player in precision high technology.

Innovation and technology is, in fact, one of the six key industries that Hong Kong has highlighted as growth engines for the economy. "When people think of Hong Kong, they think of a financial centre, a logistics centre, a tourism centre," says Anthony Tan, CEO of Hong Kong Science & Technology Parks Corp. "In fact, every year about a

third of Hong Kong's university graduates are in the sciences and engineering, so we have a large resource of people. Secondly, Hong Kong is also a centre of world-class universities. Hong Kong has eight, and of those, six are science and research universities," Mr Tan adds.

The government has, in recent years, invested a great deal in tech-friendly facilities and programmes to further boost Hong Kong's strengths as an attractive base for innovation, most notably with its world-class Cyberport and Hong Kong Science Park developments.

"Our total expenditure on R&D in 2009 was US\$1.65 billion (£1.02 billion)," says Greg So, secretary for commerce and economic development. "That represented a



Cyberport, on Hong Kong Island, is a US\$2 billion state-of-the-art digital community that offers 95,000 square meters of intelligent office space, as well as some of the best views in Hong Kong.

4% growth over 2008, so even during the financial [crisis] we were increasing expenditure."

Located on Hong Kong Island, Cyberport – a US\$2 billion project covering 24 hectares and wholly owned by the Hong Kong government – offers 95,000 square metres of intelligent office space. The state-of-the-art digital community, with its cluster of approximately 100 technology and digital-content tenants, also boasts a media centre, a conference and exhibition centre, a five-star hotel and retail facilities.

Herman Lam, Cyberport's ambitious CEO, has a singular aim: "We want to build Cyberport and Hong Kong into one of the leading technology hubs in the region."

He advocates a three-pronged approach to achieving it. "The first is to nurture talent, entrepre-

neurs and start-ups. The second is to drive collaboration to pool resources and create business opportunities. The third is to narrow the digital divide by promoting a digitally inclusive society."

Hong Kong Science and Technology Park, in the New Territories, provides 20 state-of-the-art laboratory-fitted buildings offering 220,000 square metres of office space. Fully equipped laboratories and engineering services are available for hourly rental or on a project basis. Since its inception in 2001, the park has become home to more than 300 technology companies engaging in integrated circuits and electronics, precision engineering, biotechnology, green technology and ICT industries.

"We are expanding the Science Park," says Mr So. "We are building a new phase – phase three – focusing on green technology that is really cutting edge."

One US company already benefiting from the location is environmentally friendly LED lighting manufacturer Cree, which has more than 1,300 US patents and 389 China patents (issued and pending in each jurisdiction). Cree opened its Hong Kong office in 2001 as the company's regional headquarters. It has increased its Hong Kong team from 70 to more than 100 in the past 12 months. "Hong Kong Science Park offers a fertile working environment where innovation thrives," says Soo Ghee Lee, Cree Asia's general manager. "And in addition, it provides beautifully landscaped open spaces."

Chuck Cheng, founder of integrated-circuit design house AppoTech, is another beneficiary of Hong Kong's enlightened approach to attracting high-tech businesses. Starting off as virtually a one-man-band in 2003, the company has grown to employ 300 people, achieving a 578% revenue growth in a single three-year period.

Mr Cheng says Hong Kong has been hugely beneficial to his company's growth, citing "subsidies, clustering effect for the supply chain, training, expensive equipment and machines available for rental" as major advantages.

Cyberport's Mr Lam points too to Hong Kong's status as an early adopter of new technologies and its sensitivity to trends. "Regarding the penetration of the latest technology – be it a game console, the latest smart phones, the iPad or even applications online – we are always at the cutting edge. It's in our blood, we like adventures."



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CALENDAR

HONG KONG IS A VIBRANT CITY OF FASCINATING FESTIVALS AND COLOURFUL EVENTS THROUGHOUT THE YEAR. HERE IS JUST A TASTE.

HONG KONG INTERNATIONAL JAZZ FESTIVAL (SEPT. 25-OCT. 2)

In 2008, a group of jazz enthusiasts turned their passion into an annual city-wide event devoted to the genre. Expect over 300 artists from 24 countries, including five-time Grammy-winning trumpeter Terence Blanchard. The free opening concert is set for 2pm in the piazza of the Hong Kong Cultural Centre on the Tsim Sha Tsui harbour front. Two outdoor concerts will be staged on Oct. 1 and 2 in the new West Kowloon Cultural District. www.hkijf.com

HONG KONG WINE & DINE FESTIVAL (OCT. 27-30)

This festival – named by Forbes Traveler.com as one of the top 10 international food and wine events – kicks off a month-long celebration for connoisseurs. Restaurants and hotels, food producers and wine retailers offer exceptional wines and gourmet dishes from hundreds of booths along the West Kowloon Waterfront. The famous harbour acts as a backdrop and live music and dance performances give the event a carnival feel. Not to be missed for food lovers. www.discoverhongkong.com/wineanddine-month

HONG KONG WINTERFEST (NOV. 25-JAN. 1)

The great thing about Christmas in Hong Kong is that people celebrate it outside, so the city gets a real buzz. From the end of November, the skyscrapers compete to show the most elaborate festive lights, the sales are on and restaurants offer seasonal menus with a twist. At New Year's countdown, the towering International Finance Centre becomes a giant clock and at midnight a pyrotechnic display lights up the harbour.

CHINESE NEW YEAR (JAN. 23)

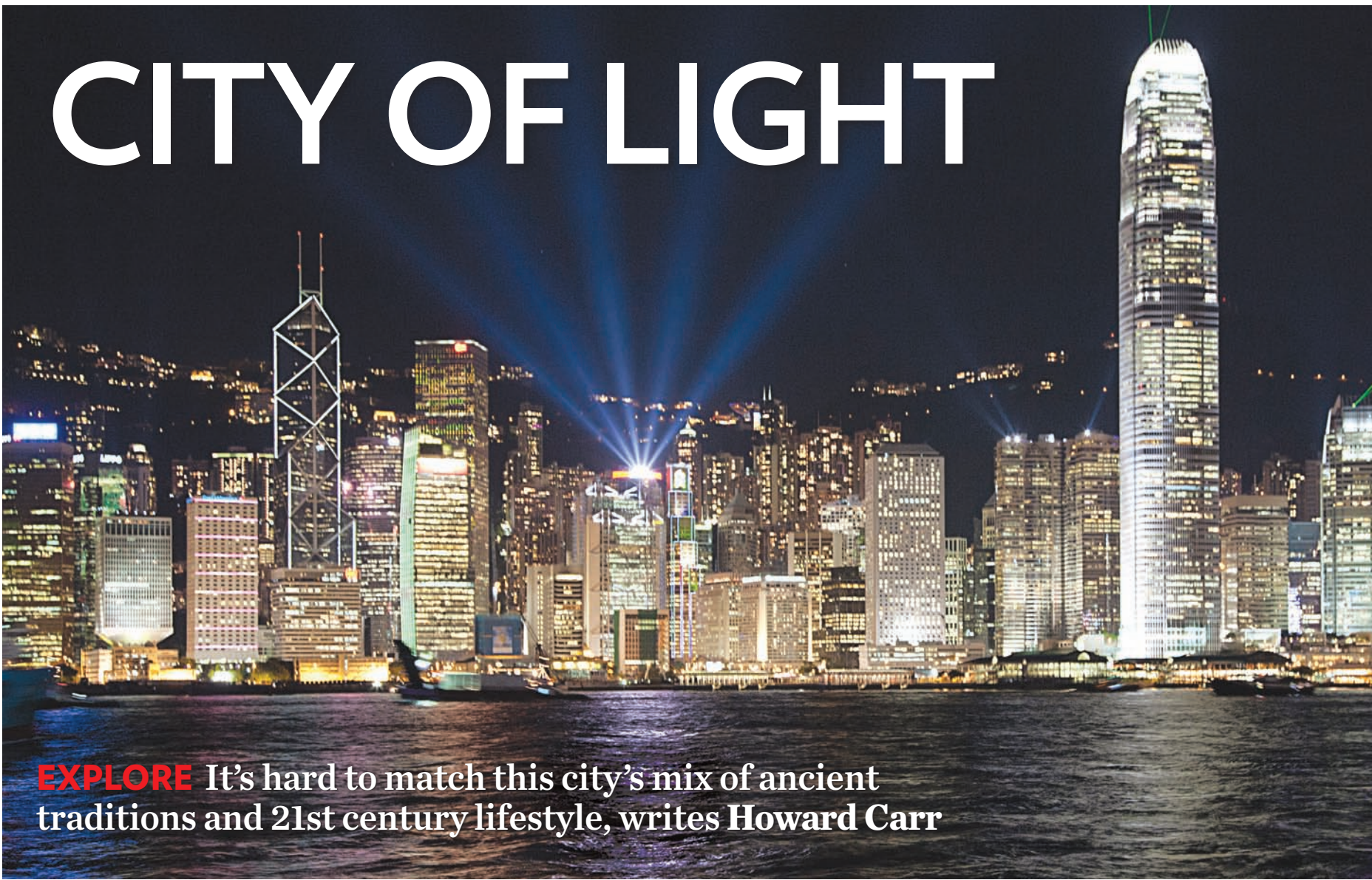
Say “Kung Hei Fat Choy” (“wishing you prosperity”) this week and Hong Kongers will reciprocate with a smile. Every year Cathay Pacific sponsors the spectacular International Chinese New Year Night Parade near the Tsim Sha Tsui waterfront, which is followed by more fireworks over the harbour the following day. This day marks the end of the Year of the Rabbit and greets the Year of the Dragon. By long-established custom, married people and bosses are supposed to give out lucky money (called lei see) in red envelopes to singletons and subordinates. www.discoverhongkong.com/chinesenewyear

HONG KONG SEVENS 2012 (MARCH 23-25)

One of the most important sporting events in town, this rugby tournament induces passion not only at Hong Kong Stadium but also at nightlife hubs such as Lockhart Road in Wan Chai and Lan Kwai Fong in Central. Don't be startled by the sudden outbursts of shouting and cheering – they are likely to be from rugby fans in bars watching the live broadcasts. The after-event party at the stadium can get seriously rowdy. This event is not only for ardent sports fans. www.hksevens.com



HKTB



EXPLORE It's hard to match this city's mix of ancient traditions and 21st century lifestyle, writes Howard Carr

This Chinese territory may cover an area only two-thirds that of Greater London, but it packs a lot into its 426 square miles. It's an intoxicating mixture of old and new, where ancient traditions mingle with high-tech energy and simple temples sit alongside glass skyscrapers.

A record 36 million people visited Hong Kong last year, making it once again Asia's leading city destination. The visitors included more than half a million Britons, many of whom took advantage of excellent air connections to use the city as a gateway to mainland China and other parts of Asia, or as a stop-over en route to Australasia.

It's the exciting diversity of Hong Kong that makes it such a must-see destination. Nowhere is this more evident than in the bustling harbour, where sampans and junks jostle for space with cruise ships and container vessels against a skyline that rivals that of Manhattan. Most of the territory's

seven million inhabitants live in Kowloon and on Hong Kong Island, making them among of the world's most densely populated areas. Huge blocks of flats are shoulder-to-shoulder with vast, air-conditioned shopping malls. Top-notch restaurants overlook colourful street markets and roadside teashops are neighbours of ritzy designer boutiques.

Come evening, the city shimmers under a blaze of neon signs and the harbour is the venue for a spectacular sound-and-light show played against the high-rise architecture. Away from the urban melee, Hong Kong throws up more surprises. About three-quarters of the territory is undeveloped, with about 40% of the land designated as country parks and nature reserves. Many of the 200-plus islands that make up Hong Kong are home to isolated beaches, hiking trails and tiny fishing villages.

“Hong Kong is Asia's world city,” says Anthony Lau, executive director of the Hong Kong Tourism Board (HKTB). “It is vibrant, with a fusion culture. It is a cosmopolitan city.” World class it may be, but tourism officials recognise that the city has to continue adding new attractions and facilities

if it is to compete successfully with other destinations. This year it has already celebrated the opening of a Ritz-Carlton property. Billed as the world's highest hotel, it occupies the top 17 floors of Hong Kong's tallest building, the 118-storey International Commerce Centre. An indoor infinity pool on the 118th floor has sweeping views over Victoria Harbour.

While the Ritz-Carlton joins a portfolio of grand hotels such as the historic Peninsula in Kowloon – where afternoon tea in the elegant lobby is still considered a rite of passage – the city is also developing an impressive stock of chic, boutique properties. Forerunners such as Swire Hotels' East and The Upper House and the Philippe Starck-designed Jia have recently been joined by the Icon, which boasts Sir Terence Conran among its designers. Major tourism projects



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completed over the past few years include Hong Kong Disneyland and Ngong Ping 360, a 3.5-mile cable car ride on Lantau Island. Next up are a new cruise terminal, set to open in 2013 on the site of the old Hong Kong airport at Kai Tak, and the West Kowloon Cultural District, a major arts complex that will encompass theatres, concert halls and a museum of modern art.

The city's rich calendar of events is also being expanded to take in a full range of attractions from dragon boat festivals and Chinese New Year celebrations to a wine and dine month, Hong Kong Winterfest and the world-renowned rugby sevens tournament.

Hong Kong's appeal is set to grow as it forms closer ties with Macau, a 45-minute hydrofoil ride away, and with southern Chinese cities on the Pearl River Delta. A high-speed rail line will cut the journey time to Guangzhou from 90 minutes to 40 by 2015, while a 31-mile series of road bridges and tunnels linking Hong Kong with Macau

*** Left: the city shimmers under a blaze of neon. Top: The seated Buddha on Lantau Island. Middle: an isolated beach in Sai Kung. Bottom: Hong Kong offers some of the world's best shopping.**

is due to be completed in 2016. “We are seeing increasingly the trend for multi-destination travel,” says Mr Lau of the HKTB. “Hong Kong, Macau and southern China complement each other. We have different product offerings. Hong Kong is an international city where you can go shopping, experience all the excitement, the colonial

culture and the east-meets-west culture. Then you can go to Macau and experience another culture and different entertainment options before moving into China to see the historical sites. “It's that combination that will form a very powerful tourism product for this part of the world.”



24-HOUR CITY

1 VIEWS The world's tallest city is all about views. And while impressive urban vistas will surround you every moment of your visit, searching out a dizzying lookout is mandatory. The expansive panorama from Victoria Peak – combined with a ride on the rickety Peak Tram – is the most famous, but we wouldn't say the best. Those are from the towering Sky100 observation deck in Hong Kong's tallest building, the gleaming new International Commerce Centre in West Kowloon, where you'll find both the iconic harbour and the oft-forgotten views over Kowloon. Time your ascent for the nightly A Symphony of Lights at 8pm, where lasers and light beams shoot from the city skyscrapers.

2 ENJOY THE JOURNEY The Star Ferry's 10-minute harbour crossing is possibly the most spectacular 20p ride in the world, but it's given stiff competition from the island's double-decker trams that have been plying the tracks here since 1904. Take them only for the charm, though: the MTR – the city's tube – is easily among the world's best and gets you pretty much anywhere you'll need to go.

3 CULTURE AND HISTORY Hong Kong culture is best sampled on the street. Watch Tai Chi in the early morning in Kowloon or Victoria Park, wander the historic streets of Central (start with Graham and Gage streets) and Sheung Wan (try Bonham Strand West and Des Voeux Road West) where chic boutiques and coffee shops about traditional dried-seafood vendors, and hunt for bargains in the markets of Kowloon. You'll inevitably encounter Mong Kok's Ladies Market or Yau Ma Tei's Temple Street on your wanderings around Kowloon, but for a less touristy market visit Cat Street (Upper Lascar Row, Sheung Wan), which also gives you an excuse to explore one of the city's coolest emerging districts. There's also plenty of glitz-and-glam haute couture throughout Central, Causeway Bay and Tsim Sha Tsui for cut-price Bond Street brands.

Those in search of Hong Kong's spiritual side will find smoke-filled temples dotted around the territory. Check out the small but captivating Man Mo Temple (124-126 Hollywood Rd, Sheung Wan) with its array of hypnotic spiral-incense and the picturesque Ten Thousand Buddhas Monastery in Sha Tin. For history buffs, check out the Museum of History (100 Chatham Rd South, Tsim Sha Tsui) – the Hong Kong Story provides a fascinating summary of the territory's ceding to Britain and its return to China.

4 ESCAPE TO THE WILDERNESS While it may enjoy a reputation as the ultimate urban metropolis, a whopping 70% of Hong Kong is actually nature, punctuated by country parks, hiking trails and secluded beaches. You probably don't have time for a 10-hour trek across the New Territories, but get a taste of the wilderness while checking-off other sights. The Ngong Ping 360 cable car (www.np360.com.hk), which takes you across Hong Kong's biggest island, Lantau, delivers views of Disneyland, the airport and the verdant and undulating landscape. Combine it with a trip to the Big Buddha, a mandatory sight, and Tai O, a charming village built on stilts, and kill several birds with one stone.

5 EATING AND DRINKING It's hard to go wrong with Hong Kong's cuisine. However, you shouldn't miss Hong Kong's most famous culinary export, yum cha. Luckily, it's everywhere. Lin Heung Tea House (160 Wellington St, Sheung Wan) is one of the most traditional, if culturally confronting. But plenty of restaurants are veering away from tradition, including the Michelin-starred duo of Tim Ho Wan (2-20 Kwong Wa St, Mong Kok) and One Dim Sum (15 Playing Field Rd, Prince Edward) which have quickly become famed for their all-day dim sum. For classic Cantonese cuisine in a raucous setting, hit Tung Po Seafood Restaurant (2/F, Java Road Market Complex, North Point), made famous by Anthony Bourdain, and try the Wind Sand chicken and Duck Lotus-leaf rice. —Mark Tjhong is the Associate Editor of Time Out Hong Kong. www.timeout.com.hk



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GREEN HAVENS

EXPLORE Hiking trails, parks and wild beaches, the other face of an exhilarating city.

When people think of Hong Kong they envision a dynamic, energetic city of glossy shopping malls, buzzing restaurants, bars and cafes. And most visitors think spending a couple of days here is enough.

But there is another Hong Kong – the Hong Kong of hiking trails, country parks, wetlands, a Geopark, fishing villages, wild beaches and colourful outlying islands.

In fact, 40% of the territory is conserved as country parks. Many of these green havens are in the New Territories, which includes the city's hinterland and more than 200 islands, but others are within walking distance of the beating heart of Hong Kong.

One of the most accessible is Lung Fu Shan, on Hong Kong Island, home to the oldest urban settlements. It is the city's youngest country park, established in 1998, and the smallest at 47 hectares, but

it covers many historical relics. It's possible to walk to it from the city centre; in fact, the journey to the park is a historical trail in itself.

From bustling Queen's Road Central, amid the skyscrapers, you can ascend to Government Hill through the footpath at Ice House Street, past the neo-classical former French Mission Building (now the Court of Final Appeal) to reach Lower Albert Road and then Upper Albert Road, which takes you to the former Governor's House. From here, you enter the 140-year-old Zoological and Botanical Gardens, exit on May Road and walk up to Old Peak Road that leads to famous Victoria Peak.

Enter Lung Fu Shan through Harlech Road. This popular path leads to a scenic picnic area where, on weekends, families gather and people take long walks. Find Hatton Road and follow it to Pinewood Battery, a protected monument built in 1903 as part of a military fort. From

here, you have a clear view of the western end of the great Victoria Harbour and Green Island, recognisable by the lighthouse on top.

Take Peak Road for your descent and you will find Pokfulam Reservoir Road, a picturesque trail that takes you into Pokfulam Country Park, a 270-hectare sylvan sanctuary encompassing the Pokfulam Reservoir, the oldest on Hong Kong Island, dating back to 1863. The path, about 4.3 miles long, ends on Pokfulam Road.



The view from Victoria Peak is across unspoilt nature. Isolated bays, wild beaches and outlying islands offer a taste of Hong Kong beyond the skyscrapers.

For serious nature lovers, Sai Kung is not to be missed. The largest unspoilt "garden" of Hong Kong, this district comprises the southeastern coast of the New Territories and some 70 islands. It is also home to the city's Geopark and the serene Tai Long Wan (Big Wave Bay).

In Sai Kung Town, you will find a line up of boat operators along the waterfront, all eager to take you to the many scenic islands at a modest cost. For just HK\$20 (£1.58), board

the boat of Wah Kee Travel for a roundtrip ride to Sharp Island (or Kiu Tsui Island). It's only a 15-minute journey but you might as well have gone to another world.

Most visitors come here to walk on the famous gravel tombolo that emerges at low tide. It links Sharp Island with the islet of Kiu Tau, from which you get a beautiful view of Clear Water Bay Peninsula and Port Shelter by walking to the other end through a short hiking trail. Tidal information is posted!

To explore Tai Long Wan, head for Wong Shek Pier where you can hire a kaibo (small motorboat) for the short ride to Chek Keng Village. Few villagers remain, but at weekends some former residents return to set up makeshift stores to sell provisions to hikers. From Chek Keng you can reach the spectacular Tai Long Wan. You can also get to Chek Keng by taking the bus to Pak Tam Au and taking the downhill trail with a commanding view of Long Harbour – a popular spot for windsurfers.

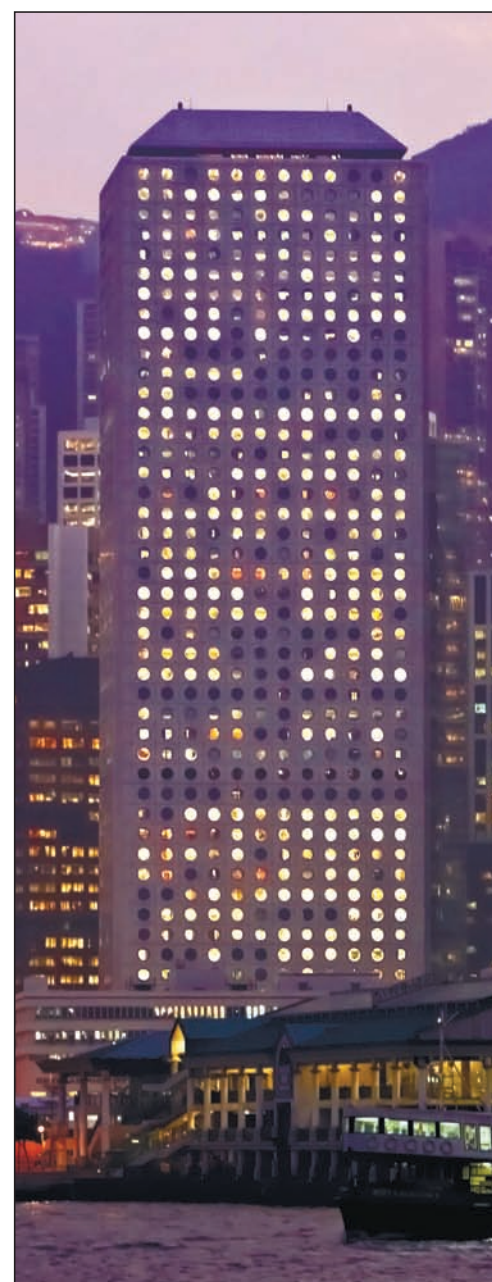
The Great Outdoors Hong Kong event runs from Nov. 13 to Dec. 11. www.discoverhongkong.com/promotions/greatoutdoors

Reggie Ho is the Asia editor of Business Traveller

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