

Economy + Finance

April retail sales up 18.7pc helped by tourist arrivals: HK retail sales in April rose 18.7% by value from a year earlier, marginally lower than expectations and slowing slightly from March growth but still robust as a tight labour market boosted wages and the city hosted plenty of tourists. March sales rose by a revised 20% from a year earlier. Retail sales by value climbed to HK\$22.8 billion, the government said.

Tax issues pose big obstacle in HK push into Islamic finance: In its race to tap into the estimated US\$1 trillion Islamic finance market, HK faces a sizeable hurdle - taxes. And, said Eddie Yue, a deputy chief executive of the HK Monetary Authority, it is an issue both the Inland Revenue Department and the legislature may have to tackle. Last year, Hang Seng Bank launched the first Islamic index-tracking fund. Then, in March, an exchangeable sukuk - the Islamic equivalent of a bond - launched in Malaysia was listed in HK. Now, the Airport Authority is aiming to launch the city's first Islamic bond as early as in the third quarter.

GDP rises 9.6pc to HK\$409.3b in first quarter: HK's gross domestic product increased by 9.6 per cent to HK\$409.3 billion in the first quarter compared with a year earlier. HK's economy is continuing to enjoy strong economic growth and falling unemployment. But economists have warned that higher oil prices, rising food prices and the impact of the sub-prime mortgage crisis on the United States economy, were likely to slow growth in future.

HK jobless rate remains steady at 3.3pc: HK's unemployment rate remained stable at 3.3 per cent in March to May, latest statistics showed. Secretary for Labour and Welfare Matthew Cheung said the labour market remained buoyant.

HK tops new trade report: HK was ranked No.1 in the latest Global Enabling Trade Report for 2008, Financial Secretary John Tsang said. Singapore, Canada, Denmark, Finland, Germany, **Switzerland** and New Zealand were on the top 10 list. The Enabling Trade Index 2008, developed with international trade experts, analyses factors affecting trade in 118 industrialised and emerging economies. The index covers market access, border administration, transport and communications infrastructure, and the business environment.

HK to phase out diesel tax: The duty on Euro-V diesel fuel would soon be phased out, Secretary for Transport Eva Cheng told lawmakers. She said a motion to phase out the duty would be proposed in the Legislative Council on July 9. Ms Cheng said this would help commercial drivers faced with soaring fuel prices. However, she said the government would not provide subsidies on fuel and there would be no abolition of unleaded petrol taxes.

Domestic politics

More transparency over future political appointees: The government would be more open about details such as the foreign passports and salaries of new political appointees in future, Secretary for Constitutional and Mainland Affairs Stephen Lam pledged. The Basic Law did not impose a requirement on deputy ministers and political assistants to renounce foreign passports, while they were the permanent residents of HK. However, he said that in future such information and details about salaries of new appointees would be clearly stated on employment contracts. This would be to increase the transparency of the recruitment process.

Pan-democrats wary over motion of no confidence in appointee row: The pan-democratic camp is taking a cautious stance on the Democratic Party's intention to move a motion of no confidence in Norman Chan, head of the Chief Executive's Office, who has played a key role in recruiting political appointees. The Frontier's Emily Lau warned that the motion required serious consideration, while Civic Party leader Audrey Eu said the party would observe further developments in the row. Norman Chan has declined an invitation to attend a Legislative Council panel meeting, and has been accused of filling the positions with allies. The intention to move a motion of no confidence was announced by Democrat Lee Wing-tat recently.

CE's approval rating at record low: The approval rating for Chief Executive Donald Tsang is at a record low, a university poll shows. University pollster Robert Chung said: "The controversies surrounding the recent appointment of undersecretaries and political assistants, and the gradual emergence of inflation and livelihood problems may all have affected the popularity of the chief executive and the government."

CE weighs into Legco debate: Chief Executive Donald Tsang launched a pre-emptive strike on legislators ahead of a key debate on the row over his political appointees, making an unprecedented appearance in the chamber and calling for an immediate end to the "excessive dispute". Mr Tsang accused the lawmakers of seeking to narrow the "tolerance and leniency" in the Basic Law towards holders of foreign nationality in government and strongly defended the director of his office, Norman Chan, against accusations that the list of appointees was stacked with Mr Chan's proteges. But pan-democrats dismissed his appearance - the first

by a chief executive at a regular council meeting - as "political cosmetics" and a "cheap and empty publicity show" designed to salvage his plunging popularity.

Relations HK - Mainland China

CE off to Sichuan to ask how HK can help rebuild quake zone: Chief Executive Donald Tsang led a HK government delegation to quake-hit parts of Sichuan to find out how the city can help in their reconstruction. "We hope to set up a mechanism by which HK and Sichuan government officials can discuss co-operation in the reconstruction," said the source. Individuals, companies and organisations in HK have donated more than HK\$1 billion to earthquake relief efforts. More than 1,000 Hongkongers have registered as quake relief volunteers. The government has given HK\$300 million as well as sending medical and rescue teams.

CE to take lawmakers on Sichuan tour: Chief Executive Donald Tsang will take a team of 20 legislators to Sichuan to witness the devastation wrought by last month's earthquake and the mammoth scale of the reconstruction required. Asked if members from the pan-democratic parties would be among those invited, Mr Tsang said: "I hope members from all parties can take part in the delegation." He also announced an initiative to invest in and help build public facilities and infrastructure in areas devastated by the quake. The joint delegation led by Mr Tsang and Macau Chief Executive Edmund Ho met vice-president Xi Jinping who hailed the success of the first stage of the relief effort and expressed his gratitude for the help offered by Hong Kong.

Transborder affairs

New X-ray checks to boost passenger security on mainland-bound trains: Passengers taking intercity trains to Beijing, Shanghai and Guangzhou at Hung Hom Station will be required to pass their luggage through an X-ray machine. "We set up the new procedures to align with the security measures in the mainland railways," MTR Corp general manager Carmen Li said. "Onboard safety will also be enhanced."

Guangdong eyes HK, Macau partnerships: A party blueprint for the development of Guangdong province calls for greater partnership with HK and Macau to turn the area into China's "pivotal force" in science and technology. In a document that maps out how the province should enhance its service industry to hone its edge in the global market, the Guangdong Provincial Communist Party Committee said closer co-operation with the two cities was essential. Provincial leaders want to get rid of lower value-added industries and develop a "Guangdong" brand for technology and creative industries, but in an environmentally sound manner. The province plans to establish cross-border research laboratories and science parks, as well as foster closer ties among universities from the three places.

Legal affairs and human rights

Silent respect marks Tiananmen protest: Fewer than 1,000 people took part in the annual march to commemorate the 1989 Tiananmen crackdown in which hundreds if not thousands died. Unlike previous years, there was no chanting of slogans, the organizers agreeing to a silent march out of respect for those who died in the May 12 Sichuan earthquake. Instead, marchers carried banners mourning those who died on both occasions.

Minimum wage start demanded: A minimum-wage law should be introduced this year because a voluntary campaign had failed, the government-friendly Federation of Trade Unions said. The union wanted the minimum wage set at HK\$6,800 a month - 60% of average income - and to apply to all workers, chairman Wong Kwok-kin said. "The government has always said it will assess the success of the voluntary 'wage protection movement' in October before discussing ... legislation for the statutory minimum wage," he said. "The government should start working now ... the voluntary campaign has been a failure." The government launched its voluntary scheme in October 2006 in the hope that employers of 190,000 cleaners and security guards would agree to pay them at least the median wage. But the union says only 34% have benefited.

Health + Science

Healthcare consultation 'brings no consensus': No consensus had emerged from a public consultation on healthcare in Hong Kong, Secretary for Food and Health York Chow said. He said government projections showed the cost of funding healthcare in the territory would continue to rise, straining government finances.

New hope in bird flu fight: HK scientists have discovered a drugs cocktail that they believe may quadruple the survival rate of people infected with the deadly H5N1 bird flu virus. In a groundbreaking study, the 13-member team from HK University gave H5N1-infected mice a mixture of three drugs. The drugs suppressed the deadly virus, boosted survival rates and reduced the often fatal overreaction of the immune system. Now, the scientists say, the cocktail should be tested on humans.

Bird flu found in chickens at HK market: The deadly H5N1 strain of bird flu has been found in chickens in HK for the first time in five years, prompting the closure of a market, the suspension of live-poultry imports and the culling of 2,700 chickens. Chicken farmers in the city were barred from selling live birds for 21 days. Authorities are urgently seeking the source of the infected birds, found in three stalls at the Po On Road Market in Sham Shui Po and bought from a trader at the Cheung Sha Wan wholesale market.

Buyout offer sweetened for chicken retailers: Another HK\$100 million was being offered to chicken retailers in an effort to persuade them to give up their licences, government sources said. The hope is that 90 per cent will agree to the buyout as the city tries to sell its final solution to reduce the risk of bird flu by offering the trade a new HK\$1.1 billion package. Secretary for Food and Health York Chow denied that the government was backing down from its earlier tough stance. "We are giving them some more time to consider, [but] it does not change the policy and the direction," he said. After the reprieve, "there won't be any more options".

HK amends legislation banning live poultry at retail outlets overnight: To stop the future spread of avian flu in HK, the government amended legislation to ensure no live poultry would be kept at retail outlets overnight. The ban will begin in early July. The move came after the recent detection of the avian influenza virus at four wet markets in HK.

Research reveals alarming increase in the availability of party drugs in HK: Tougher sentencing guidelines for ketamine and Ecstasy were imposed in the Court of Appeal after research revealed the extent of their abuse. The Narcotics Bureau said there had been a steep rise in seizures of ketamine - from 296kg in 2005 to 1,006kg in 2006. The situation for Ecstasy was similar. In 2005, 47,694 tablets were seized, rising to 104,296 tablets a year later. And the retail price of each drug has dropped considerably.

Environment

Bad air takes delta toll: Poor air quality in HK, Macau and the rest of the Pearl River Delta is costing 10,000 lives, 440,000 hospital stays and 11 million outpatient visits every year, according to top scientists and experts. Conducted by think-tank Civic Exchange, researchers in a study called on the three governments to adopt an overall air quality management framework - including adopting the World Health Organization's objectives - to improve monitoring and boost clean energy usage, while reining in land and marine emissions.

Culture and education

Survey reveals fears for proposed culture hub: Public confidence is low over the HK\$21.6 billion West Kowloon cultural project, with those living in the district concerned at the ability of the hub to stay afloat. A Civic Party survey showed 88% of 332 respondents disagreed with the government securing the huge sum before revealing how it will be spent.

Legco panel backs HK\$21b for arts hub but wants accountability: Lawmakers gave initial approval for a grant of HK\$21.6 billion to the body which will build and manage cultural facilities in the West Kowloon arts hub, but demanded it report regularly to the Legislative Council. Members of Legco's public works subcommittee expressed fears about how the endowment would be used. Some cited lax supervision of spending by the Tourism Board, which has been accused of misusing taxpayers' money. They also challenged the government's assumption that construction costs would rise by 2 per cent a year.

Macau

Macau should consistently outstrip Vegas, says Melco: Melco International Development chairman Lawrence Ho expects gaming revenue in Macau will continue surpassing that of Las Vegas due to its accessibility to customers. "With the majority of the customers being Asian in both Las Vegas and Macau, Macau has a very good package as it is situated in a much more accessible place and many new hotels have been built in recent years as well," Ho said. He said he is in favour of the government move to curb the granting of lands for casino purposes. With only six operators with licenses, the measure, he pointed out, will make Macau more competitive. Ever since the government awarded licenses to a number of casinos - ending the gaming industry monopoly of Ho's father Stanley Ho - Macau has boomed.

Macau public confidence boosted by tough sentences: The tough justice for those who "aided and abetted" former minister Ao Man-long has given Macau's public morale a boost, easing doubts about the authorities' resolve to fight graft, according to activists. But the government has yet to clean up mysteries over the scandal and press ahead with political reforms to fully restore public confidence, critics say.

Business gears for tourism slowdown over visa limits: Macau businesses are preparing to tighten their belt in the face of a possible tourism slowdown after Beijing put the brakes on mainland punters flowing into the gambling enclave. Various mainland provinces this month brought in tougher restrictions on travelling to Macau, allowing residents to apply for just one Macau permit each month. Public security officers have been carrying out rigorous background checks on Macau visa applicants, especially civil servants, thus dragging out the review process.

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