

HONG KONG

Asia's world city

HONG KONG

At a Glance

'One Country, Two Systems' A Stable Society

- Independent executive, legislative & judicial branches
- Common law system
- Rights and freedom of residents protected by law
- Clean, efficient administration
- SAR – separate from Mainland
- Participate in International Forums in its own right
- Chinese & English are official languages

World's Freest Economy

- Trade to GDP ratio of 395% in 2006
- Free flow of capital, free trade, free market
- No investment restrictions
- No foreign exchange controls
- Rated freest economy annually
- SME dominant

International Business Hub

- Level playing field
- Prime location mouth of PDR
- Regional transport hub – air and sea
- Regional corporate hub
- Regional arbitration centre
- Regional communications and broadcasting hub

Tapping Opportunities in the Mainland

- Closer Economic Partnership Arrangement (CEPA)
- Preferential access on almost all HK goods and 27 services sectors
- Major source of funding
HK is the largest external investor in China
at 42%, or US\$260 billion of all investment
- HK linked enterprises employ 11 million people in China's Guangdong Province
- Huge pool of experienced entrepreneurs & professionals
- Handles about one-fifth of Mainland's foreign trade

Building for a Progressive Future

- New roads & railways
- Container Terminal 9
- Express Air Cargo Terminal
- Digital Trade & Transportation Network
- AisaWorld-Expo at airport
- Hong Kong Disneyland
- Ngong Ping 360
- Cyberport & Science Park
- Harbor-front development

Low Tax System

- 17.5% Profits Tax
- 16% maximum salaries tax
- No value added or sales tax
- No capital gain tax
- No withholding tax on dividend & interest
- No global taxation

A Vibrant, Safe City

- Convenient, compact, cosmopolitan city
- World class sports events
- World class arts & cultural performances
- Best restaurants
- 41 international schools
- Safe city

Social Contract

- World class medical services
- 9 years free, compulsory education
- Most people attend higher education
- Social security safety net

Economic Performance and Outlook

- Hong Kong has experienced three years of strong and broad-based economic growth.
- Real GDP expanded by 7.0% in 2006, 6.4% in 2007.
- Domestic demand has resumed its growth momentum while the external sector has also performed well.
- GDP growth forecasted at 4.5% - 5.5% in real terms for 2008

In 2006

- Total shipping increase by 3.5% in arrivals , a total of 238.2million tonnage

World's busiest container port 12th time in the past 14 years

- Air cargo up 12.9% (3.5million tonnes)

World's busiest international air cargo hub

PEARL RIVER DELTA

Factory of the World

Why the Pearl River

- **China's first Special Economic Zone**
- **Proximity to Hong Kong**
 - 25 years ago – arable farming & small rural villages
 - Today – over 60,000 HK linked companies that employ some 11 million people
- **Hong Kong is the strategic two-way platform**

Greater PRD Region

- Hong Kong
- Macau
- 14 Mainland cities and counties:
Guangzhou, Shenzhen, Zhuhai, Zhongshan, Dongguan, Foshan, Jiangmen, Huiyang County, Huidong County, Boluo County, Gaoyao, Shihui and the urban districts of Huizhou and Zhaoqing



Greater PRD At a Glance

■ Population 2000	48 million
■ Area	42,826 sq km
■ GDP 2006	US\$ 309 billion
■ Per capital GDP 2006	US\$ 6,728
■ Annual GDP growth	5.7%
■ Exports 2006	US\$ 288.8 billion
■ Foreign Investment 2006	US\$ 13 billion

Greater Pearl River Delta Region

- GDP of US\$309 billion, place it among the world's top 20 economies.
- Exports of US\$289 billion in 2006, significantly higher than the Yangtze River Delta economies around Shanghai.
- Greater PRD is the most affluent region in China at per capita GDP.
- A burgeoning consumer market.

Greater PRD Region is a leading

- Manufacturing & sourcing base
- Consumer & services market
- Logistics hub
- Investment Destination

World Class Factories

- Modern manufacturing facilities
- Skilled workforce
- Low labor cost
- Strong quality control
- Hong Kong or HK-trained managers

Factory of the World

- World's top manufacturer & exporter

Watches

Telephones

Radios

Toys

Footwear

Clothing

Business Model for Foreign Companies

- Combining PDR's advantages with Hong Kong services:

Regional headquarters in Hong Kong

Canon, Casio, Dupont, Epson, Fuji, Xerox, GE, Motorola, NEC, Sanyo, Samsung, Sanyo...

Management and finance functions in Hong Kong

Manufacturing base in the PDR

“Five Flows”

Of people, goods, capital, information and services

- Improve border crossing
- Co-locating immigration and custom facilities
- Shenzhen Western Corridor to double road crossings between HK and Guangdong
- Lok Ma Chau Spur Line – second passenger rail crossing
- Guangzhou-Shenzhen-Hong Kong express rail link
- PRD A5 Forum to link 5 major airports in the area
- Hong Kong-Zhuhai-Macao bridge to begin in 2007 and finish by 2015

'9+2' Pan-PRD Group

- 9 southern provinces plus Hong Kong & Macau
- Combined population of 463 million, same as EU
- Combined GDP of US\$734 billion, comparable to the 10-member ASEAN grouping

CEPA

Closer Economic Partnership Agreement

CEPA

- Effective 2004
- HK exports meeting rules of origin requirement
- Preferential access of Hong Kong goods and services to Mainland market
- In some cases, early market access goes beyond China's WTO commitments
- Give Hong Kong companies, local and foreign owned, a head start

CEPA III – Expanded Liberalization

- Effective July 1, 2006, the number of products with CEPA origin rules expanded by 37 to 1,407
- Effective January 1, 2007, 15 more liberalisation measures spanning 10 service sectors added
- Five new business areas opened to Hong Kong residents' individually owned stores

Goods Prohibited under CEPA

- **Used electrical machinery and medical products**
- **Chemical residual**
- **Municipal waste**
- **Tiger bone and rhinoceros horn**

- **CEPA increases the competitiveness of Hong Kong goods in Mainland**
- **Mainland tariffs on imports from other economies remain relatively high, up to 35%.**

Trade in Services

- Liberalized market access in 27 service sectors, ahead of WTO timetable
 - Legal
 - Banking, securities & insurance
 - Accounting
 - Management consulting
 - Construction & real estate
 - Medical & dental
 - Distribution, logistics, freight forwarding agencies
 - Telecommunications, information technology
 - Professional qualification examinations

Trade & Investment Facilitation

- 7 areas of co-operation:
 - Custom clearance
 - Quarantine, inspection, quality assurance & food safety
 - Small and medium size enterprises (SME)
 - Chinese medicine & medical products
 - Electronic commerce
 - Trade & investment promotion
 - Transparency in laws & regulations

Other Economic Relationships

- Upgrade cross-border co-operation
- Individual Visit Scheme for 49 Mainland cities
- Hong Kong Bank to provide personal renminbi business
- '9+2' Pan-PRD development forum

Definition of a Hong Kong Company

- Incorporated in Hong Kong
- Engage in substantive business operations in Hong Kong
- Nationality-neutral
- Most service companies have to operate in HK for 3-5 years
- Manufacturers have no such requirement

Economic Benefits

- Win-win arrangement.
- Opened new business opportunities for Hong Kong with 'first mover' advantage.
- Direct & indirect economic spin-offs, including new jobs.
- Enhance attractiveness of Hong Kong as an international business centre and gateway to Mainland market.
- Good for economic reforms & developments for Mainland.

THANK YOU

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