

Hong Kong: The Right Place. The Right Time.



HONG KONG.
RIGHT PLACE. RIGHT TIME.



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Agenda

- RIGHT TIME – New Opportunities
- RIGHT PLACE – How to use Hong Kong
- How InvestHK can help



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RIGHT TIME

New Opportunities

While the economy is still depressed in US and in Europe...

- China's Purchasing Manager Index (PMI) rose to 5-year high.
- Taiwan industrial output gains 47% on year.
- Malaysia exports jump 19% in Dec.
- Thailand private investment jumps 67%.
- Singapore manufacturing jumps 14% on year in Dec 2009.
- South Korea business spending abroad grows 66% in Q4 2009.
- Hong Kong's PMI has been rising for 5 months.
- Hong Kong merchandise exports rebounded by 9.2% in Dec 2009.
- Hong Kong unemployment rate is at an 11 month low of 4.9%.

Analysts: Asia is recovering rapidly from the financial crisis.

Many Asian companies are bouncing back

Automotive

- Hyundai Motor Q4 earning rose by 388%.
- Honda Q4 earning jumped from US\$224 million in 2008 to US\$1.5 billion in 2009.
- Kia's sales volume grew by 9.3% in 2009.

ICT

- Panasonic raised its annual operating profit forecast by 25%.
- Samsung Q3 profit tripled to record and projects handset shipment to grow by 19% in 2010.
- World's 2nd largest memory chip maker, Hynix post US\$579.8 million profit in Q4 and raised its investment budget to US\$2 billion.
- World's largest contract chip maker, Taiwan Semiconductor Manufacturing Co. earned US\$938 million in Q3 and recently purchased US\$112 million worth of gear from 4 suppliers.
- China Mobile earned US\$12.3 billion.
- SK Telecom made US\$210 million in Q4.

Companies have the capital to make purchases and investment.



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Many Asian companies are bouncing back

Alternative Energy & Power

- SK Energy aims 15% sales growth in 2010.
- South Korea will invest US\$4.8billion in 2010.
- Korea's GS Engineering to build the world's largest tidal power plant station in Korea.
- Indonesia plans US\$1billion green fund.
- Thailand's largest energy group to invest US\$&.4 billion in the next 5 years.

Transportation / Aerospace

- Indonesia's Pertamina to add 47 new ships in 5 years.
- World's 3rd largest shipbuilder Samsung Heavy profit rose by 22% in Q3 and won a US\$1.1billion cruise ship contract with a US customer.
- Korea Airline swing to profit in Q4 and ordered 5 Boeing 747s.
- All Nippon Airways to buy 5 Boeing 777s and 5 Boeing 767s.
- Cathay Pacific projected good financial results for Q1 2010.

Companies are willing to make capital and long term investment.



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Public Sector Investment in China

Some major investments to be made by the Chinese Government

- Housing
- Road, power grids and water supply
- Rail links, sea ports and airports
- Medical services and schools
- Energy conservation and pollution-control
- High-tech industries
- Other reforms and supports

Mainland China has a RMB 4 trillion capital investment plan



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Public Sector Investment in Hong Kong

- Rail: South Island Line, Shatin to Central
- Guangzhou – Shenzhen – Hong Kong Express Rail Link
- Highway & Rail link: Shenzhen and Hong Kong Int. Airport
- Hong Kong – Zhuhai – Macao Bridge
- Hong Kong – Shenzhen Joint Development of Lok Ma Chau Loop
- Western Kowloon Cultural District
- Kai Tak Cruise Terminal



Hong Kong has a US\$9 billion investment plan



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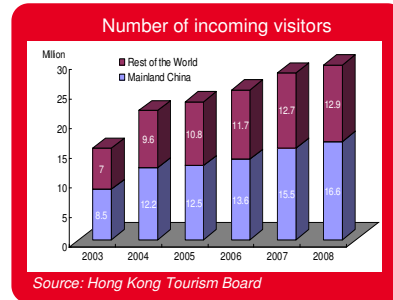
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Hong Kong as a local market

- Fashion apparels
- Consumer electronics
- Jewellery & accessories
- Food & health products
- Personal care & cosmetics
- Hotels
- Restaurants
- Entertainment

Hong Kong is a leading finance, trading and retail hub in Asia – the sectors are strong customers for professional services and technology solutions.



The city has a local population of 7 million plus 30 million visitors a year



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How to use Hong Kong



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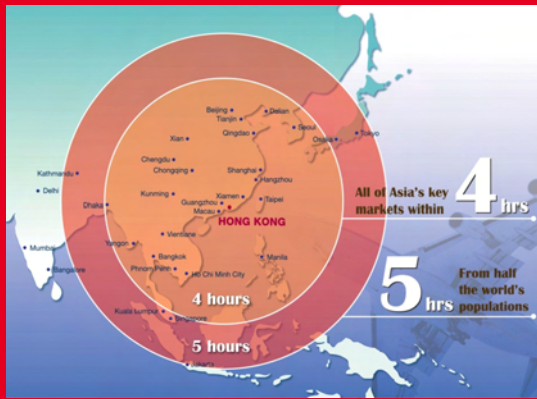
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Market Entry into Asia

Over 6,600 foreign, Mainland Chinese and Taiwanese companies have offices in Hong Kong, among which 3,580 are regional offices and RHQs.

They are using Hong Kong for :-



Sales & customer services office

Top markets covered: China, Japan, Korea, Hong Kong, Taiwan, Singapore and Australia.

Sourcing & procurement office

Oversees manufacturing bases in: China, India, Taiwan, Vietnam, Indonesia & SE Asia.

Regional headoffice

Coordinate offices in Asia Pacific.

Manage regional activities: financing, accounting, banking, information system, human resources and supply chain management.



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Trading and Financial Hub in Asia

- Major trading hub in Asia with long trading history.
- Successful trading companies – foreign and local.
- Top banking centre in Asia.
- Expertise in trade finance.
- No foreign currency control.
- Efficient transportation – leading air cargo and shipping hub.
- State of the art communication network with no control of information flow.



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Access to Mainland Companies

Mainland Chinese Companies in Hong Kong

- Over 3,800 Mainland Chinese enterprises are established in Hong Kong.
- Over 200 are regional office or headquarters of Mainland companies.

How Mainland Chinese Companies Expand Overseas?

- All Chinese companies have to obtain approval before they can set up outside of Mainland China.
- Over 690 new investment projects, with over US\$10 billion investment was approved in 2008.
- Hong Kong is the easiest and most commonly used exit point for them.

Capital Raising Activities of Mainland Companies in Hong Kong

- 470 Mainland Chinese companies are listed on Hong Kong Stock Exchange, with a total market capitalization of US\$860 billion (April 2009 HKEX).
- Hong Kong is the largest IPO capital raising centre in the world.

Under One Country Two Systems, Hong Kong has become the window for Chinese companies to globalise.



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CEPA Brings Benefits to Trade in Goods and Services

	Trade in Goods	Trade in Services
CEPA applies to:	<ul style="list-style-type: none"> • All finished goods • Goods exported direct from Hong Kong to the Mainland 	<ul style="list-style-type: none"> • 42 service sectors • Benefits vary per sector
Benefits:	<ul style="list-style-type: none"> • Removes all export duties 	<ul style="list-style-type: none"> • Greater market access than WTO rules: <ul style="list-style-type: none"> – Lower market entry criteria (capital, trading history etc.) – Can establish wholly owned providers
Eligibility:	<ul style="list-style-type: none"> • “Made in Hong Kong” products, under specified ‘Rules of Origin’ 	<ul style="list-style-type: none"> • Companies must have “substantive operations” in HK • Must obtain certification from relevant HK authorities

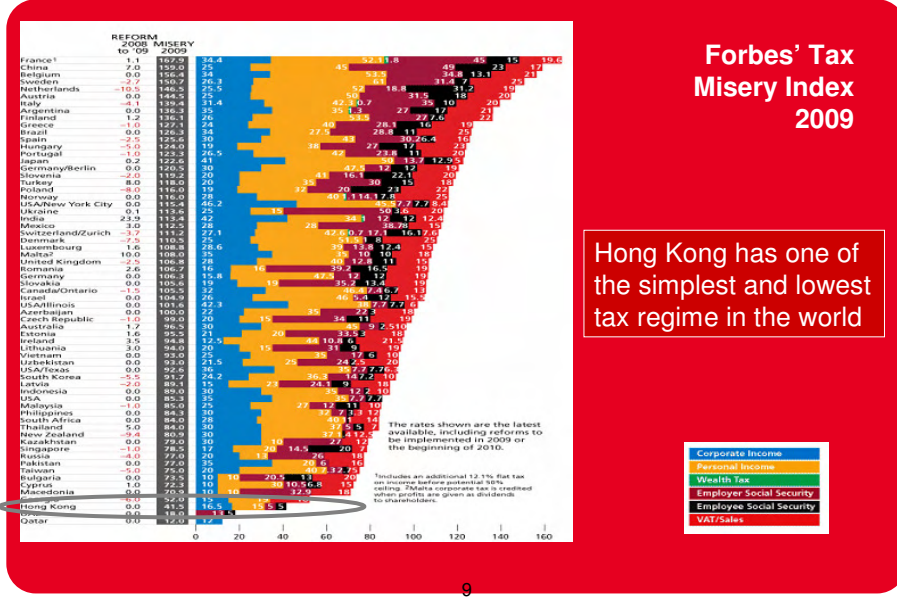


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Comparison of Tax Regime - Global



Comparison of Tax Regime - Regional

	Hong Kong	Singapore	Mainland China
Corporate tax	16.5% maximum rate	17% maximum rate	Standard rate = 25%
Income tax	15% maximum rate	20% maximum rate	5 - 45%
VAT/GST	Nil	7%	17%
Income not subject to tax	Offshore income; dividends; capital gains; tax exemption for interest income (from deposits placed with authorised financial institutions)	Capital gain; certain remitted income, shipping income, Singapore dividends, etc.	All income subject to tax (certain preferential tax treatments for foreign-invested enterprises)
Withholding tax	Nil for dividends, management fees, interest, rent 5.25% for royalties	Nil for dividends 10% for royalties 15% for interest 20% for directors	10% for dividends 10% for royalties 10% for interest 10% for capital gains

Cosmopolitan Living in Hong Kong

- City with parks and islands.
- Wide variety of sports and cultural events – hockey too!
- Food – when the East meets West.
- Bilingual with many international schools.
- Private and public healthcare.
- Safe and clean.
- All are welcome !



Some Canadian Companies in Hong Kong



- Canadian trade with Hong Kong was over **US\$5.07 billion** in 2008.
- Over **45** Canadian companies' RHQs or regional offices in Hong Kong.
- The Canadian Chamber of Commerce in Hong Kong is the **largest** Canadian business association outside of Canada.
- Hong Kong is home to about **220,000** Canadian passport holders.

InvestHK : How can we help?

The Department for Foreign Direct Investment

- Support overseas, Mainland and Taiwanese businesses to set up and expand in Hong Kong
- Our aim is for companies to make an informed choice and put the right part of their business in Hong Kong for the right reasons in order to be more competitive and make more profit
- Provide free advice and customized services to help your business succeed

Relevant
up-to-date
information

Facilitation of
set-up /
expansion

Matchmaking
and
networking
support

Public relations
support for
launch /
expansion

Thank you! Let's keep in touch!

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