

Is Hong Kong “old news” or is it still a good place for
business?
HKTDC seminar
Copenhagen, Oslo, London & Frankfurt



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Hong Kong



It either eats you up or it spits you out!
You either leave within short or you never really leave -
not even after you have in fact left

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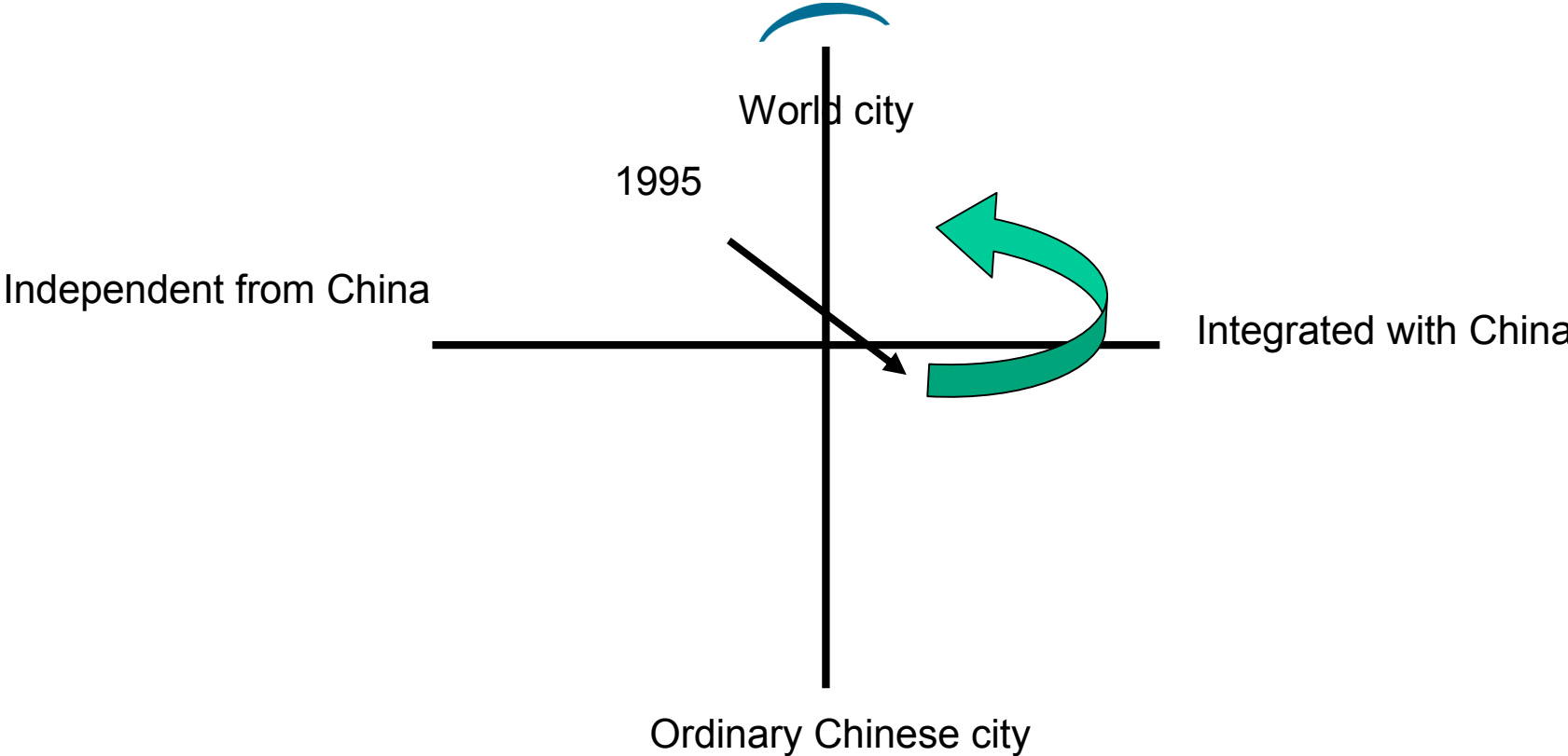
Is Hong Kong "old news"?



- 1994-1996 "When will Singapore overtake Hong Kong?"
- 1996-1997 "The death of Hong Kong"
- 1998-2001 "When will Shanghai overtake Hong Kong?"

- 2007- "The future is ours??"

Greatest Challenge # 1



Hong Kong's competitive advantage #1



2.5 -3 hrs flight time to all key markets and production bases in China
1/3 of the world's population within 6.5 hrs flying time

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Hong Kong's competitive advantage #2

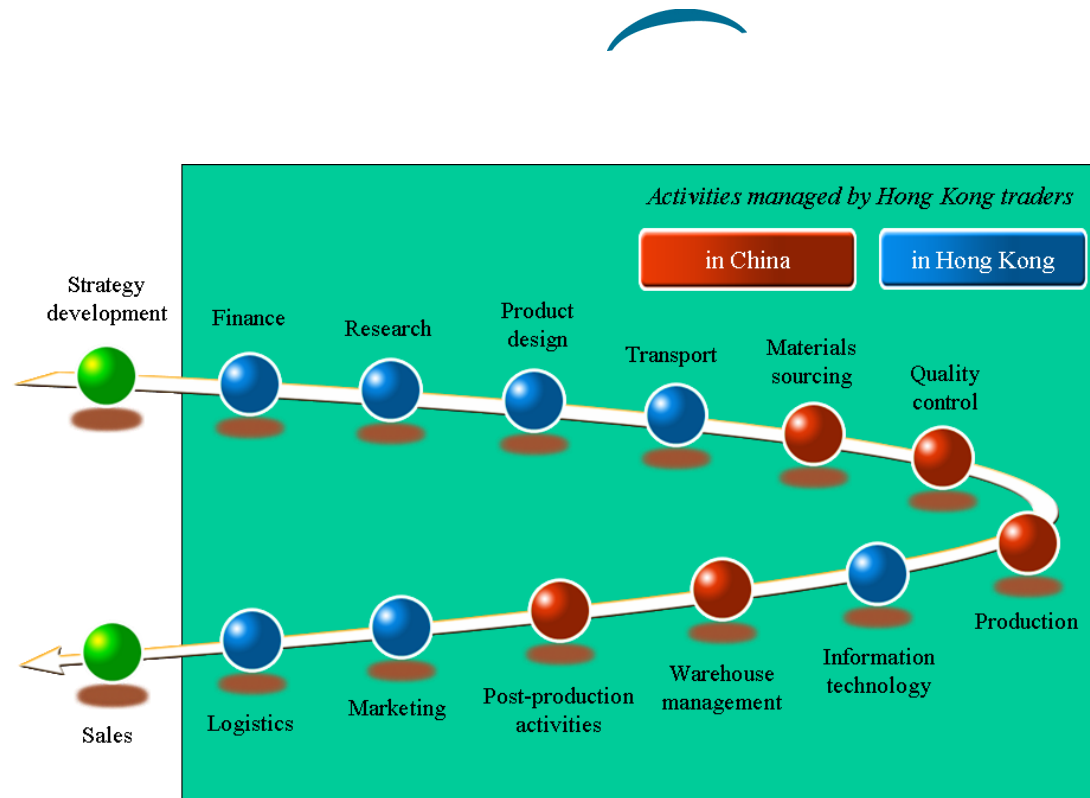


- convertible currency
- steady and good reputation
- more qualitative listed companies
- better and more reliable stock information
- Rule of Law
- transparency in the legal system
- understanding of the financial institutions
- free from corruption
- reliable arbitration center
- IP protection both by law and in practice
- reliable financial advisers and intermediaries
- better infrastructure in the service sector
- more liberal conditions for the service sector
- pool of qualified staff
- recognized international position
- own membership in WTO
- independent customs territory
- no local protectionism
- free flow of money
- free flow of information
- reliable information
- low taxation

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Hong Kong's role in a global supply chain

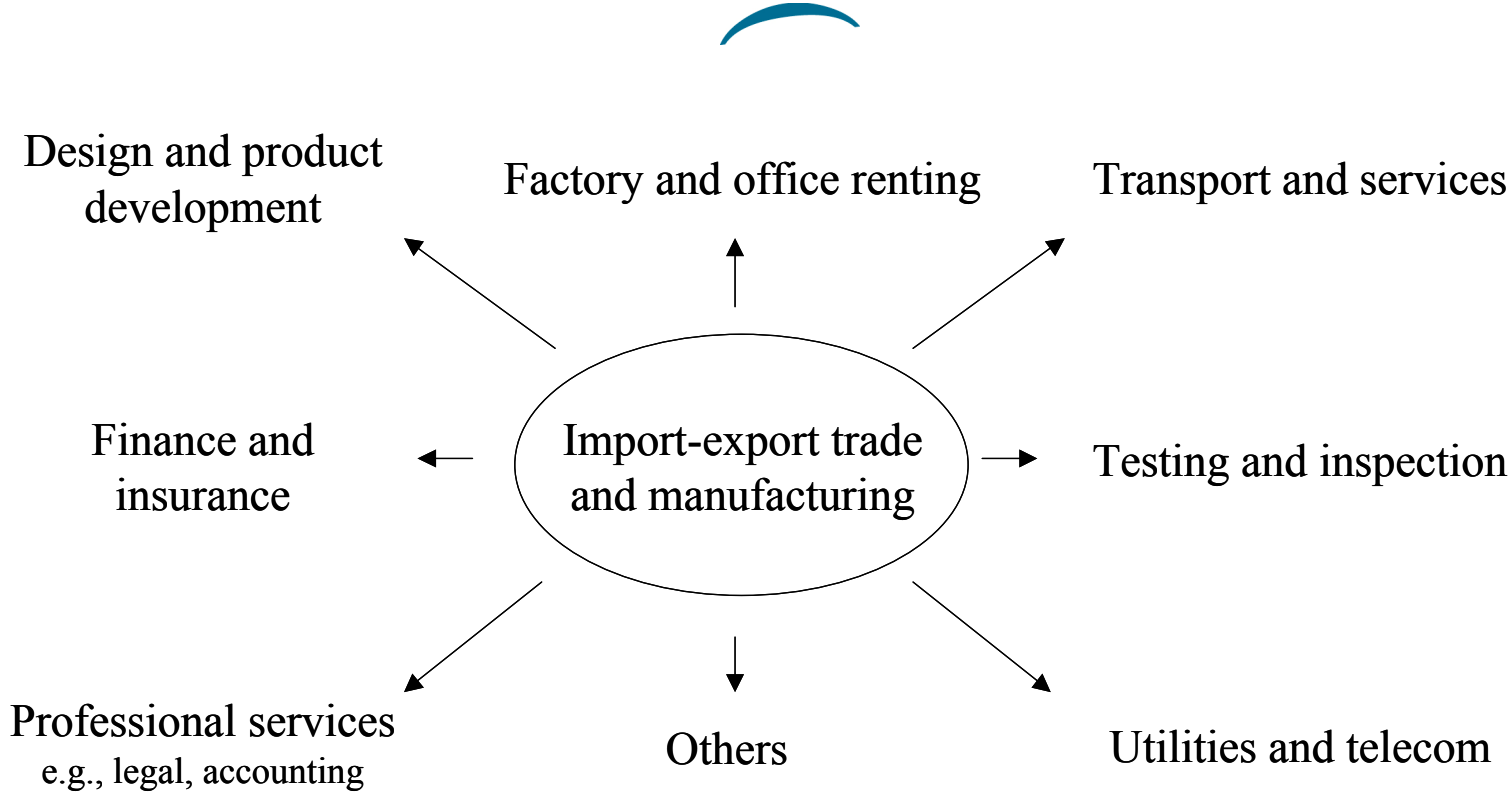


Source: Hong Kong TDC

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Intermediate services for HK's manufacturing and trading sectors



Source: Hong Kong TDC

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Hong Kong's new role for European companies



- Regional HQ
 - information freedom
 - convertible currency
 - logistics (including travel)
 - recognized international position
- Area office, especially for Greater PRD area
- Logistics hub
- Distribution hub (also tax driven)
 - transfer pricing
 - Overseas profits
- Risk elimination
 - (“The buck stops in Hong Kong”)

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Hong Kong's new role

- some best practices



- “Hong Kong umbrella”
 - Critical mass for SMEs with compatible business
 - flexibility for entries and exits
 - platform for investments into China
- “Hong Kong joint ventures”
 - flexibility and exit strategies
- Prior to entry in China - local presence to listen, learn and monitor while earning money
- Post-entry into China - support, control & monitor

Hong Kong's new role

- some best practices



- Virtual organization can be arranged
 - registered address
 - business address and business support office
 - accounting and auditing
- Service providers available
 - accounting and reporting
 - shipping and transport documentation
 - funding
 - HR function
 - QA function and factory inspections
 - CSR and inspections

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“International” is the differentiating factor



- An economy oriented towards the international economy
- Internationally recognized and well established legal traditions and transaction documents
- Internationally recognized and well established accounting routines and rules
- High “comfort level” for international business
- Good education and international schools
- Reasonably good English language level
- Wide cultural and culinary supply
- Wider range of activities in your free time

Greatest Challenge #2



- “One country” and too little “two systems”
- Will Hong Kong find its right role in the PRD development?
- Deteriorating environment and Government is not committing enough
- Air pollution import from Guandong Province
- To deliver sufficient “added value” to defend high operating costs
- Keeping HKSEC recognized as a reputable stock exchange and not just one for PRC entities venturing overseas and family companies “cashing in”

In sum...



- As part of an opening China, HK has new roles that will enhance strength
- It sits at the heart of China's strongest economic region...
- ...and for many years will be a key intermediary to China's many economies
- But it has to meet some great challenges

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THANK YOU!

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