

HONG KONG

A PRIMER ON ASIA'S TRADING HUB



As seen in the September 27th issue *Canadian Business*

HONG KONG 101

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"The long-term competitiveness of Canadian companies will be increasingly determined by how well they can integrate into supply chains in the emerging economies of Asia." – Eric Siegel, president of Export Development Canada

Companies that sell their products and services successfully in Hong Kong improve their chances of expanding their markets into China and elsewhere.

"Exporters first go to Hong Kong to do business there," says Jim Feir, director and senior trade commissioner for the Ontario region of the federal Trade Commissioner Service. "Then, because of new partners and opportunities they discover in Hong

Kong, many of them later wind up using it as a jumping off point for sales in China and Asia."

But companies heading for Hong Kong and China must be prepared. The rewards are great, though there is much to know about this historical hub of international finance and trade. Fortunately, there are many organizations and programs ready and able to lend a helping hand.

I'm an entrepreneur,
a pioneer, a dreamer.
Hong Kong makes it
easy to be all three.

Dr. Cory Kidd -
CEO of US technology firm based in Hong Kong

For entrepreneurs like Cory Kidd, Hong Kong is perfect for doing business. The rule of law, low taxes, free flow of information and capital, superb infrastructure and a stable society are among the city's most obvious advantages. It's simple to start a business here, and when it's up and running, you will truly appreciate our skilled workforce, excellent professional services and being right on China's doorstep. As for Cory, now that all the business conditions have been met, he can focus on his new innovations.

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For help setting up your business in Hong Kong, visit www.InvestHK.gov.hk



HONG KONG IS A LEADING
GLOBAL FINANCIAL CENTRE,
RANKING THIRD BEHIND
LONDON AND NEW YORK.

financial services and the treasury, said that by the first quarter of 2010, Hong Kong's GDP had largely recouped all the ground lost in the 2009 recession.

"Given the current economic momentum in Hong Kong and in the region, and barring any major external shocks," she stated, "real GDP growth for 2010 as a whole may exceed our earlier forecast of four to five per cent."



Au King-chi, Hong Kong's
permanent secretary for financial
services and the treasury

ONE COUNTRY, TWO SYSTEMS

In the 40 years since Canada's diplomatic recognition of the People's Republic of China in 1970, Hong Kong has transformed its role from being a local to a regional and now a global business centre.

A practical mix of eastern and western cultures, Hong Kong has been a Special Administrative Region (SAR) of the People's Republic of China since 1997. Under the "one country, two systems" arrangement, Hong Kong functions as a separate entity with its own chief executive, constitution (the Basic Law) and legal system based on English common law, transparent regulations and sound business practices. Commerce is conducted in both Chinese and English.

ASIA'S INTERNATIONAL FINANCIAL CENTRE

Hong Kong is a leading global financial centre, ranking third behind London and New York. In 2009, the Hong Kong Stock Exchange (HKEx) accounted for US\$31 billion in initial public offerings (IPOs), exceeding the individual annual totals of both New York and London. Firms around the world seek an HKEx listing.

Such capital market activities rely heavily on Hong Kong's extensive array of business service suppliers that includes lawyers, accountants, insurance firms and consultants. Due to its independent judiciary system, it is the leading arbitration centre [www.hkiac.org] for the Asia-Pacific region.

Currently, Hong Kong's economy is humming along. In a recent Toronto speech, Au King-chi, Hong Kong's permanent secretary for

TRADE GATEWAY TO CHINA

China continues to integrate with Hong Kong's economy by expanding the Closer Economic Partnership Arrangement (CEPA), a free trade pact between Hong Kong and the mainland. Under the recently signed Supplement 7, China will further increase the number of goods entering duty-free from Hong Kong. It also opens up additional service sectors to receive preferential regulatory treatment. Canadian firms can tap into CEPA by setting up a Hong Kong-registered business, or partnering with an existing Hong Kong firm.

The logistics of trade between Hong Kong and China is also growing easier, as proposed bridge, rail and highway infrastructure projects will upgrade Hong Kong into an all-round, intermodal centre, linking seamlessly into China's ever-expanding ground transportation network. These developments will augment Hong Kong's existing status as a major international transportation hub, featuring one of the world's busiest ocean container terminals, a state-of-the-art modern airport, and one of the largest air cargo facilities in the world.

CANADIANS FEEL AT HOME

Canada and Hong Kong enjoy strong business and other ties. According to the latest statistics, it is Canada's 16th-largest export market, absorbing about \$1.5 billion in Canadian goods and services. About 250,000 Canadian passport holders live in Hong Kong, making it equivalent to the 17th most populous city in Canada, ahead of Saskatoon. Also, the 1,200-plus-member Canadian Chamber of Commerce in Hong Kong is the largest chamber outside of Canada.



HELP FOR NEWCOMERS

Informally known as the Hong Kong family, a group of government agencies and relevant associations in Canada provide background information, useful introductions and other support services to companies wanting to trade and invest in Hong Kong.

Members of this “family” of support include the Hong Kong Trade Development Council (HKTDC), Invest Hong Kong, the Hong Kong-Canada Business Association (HKCBA), as well as the Hong Kong Economic and Trade Office (HKETO) and the Hong Kong Tourism Board (HKTB).

Various federal, provincial and often municipal government departments, agencies and organizations also help firms take advantage of business opportunities in Hong Kong. These include the federal Trade Commissioner Service (TCS) of the Department of Foreign Affairs and International Trade (DFAIT), Export Development Canada (EDC) and the Ontario Chamber of Commerce’s Export Market Access (EMA) program.

HKTDC: FINDING OPPORTUNITIES

HKTDC offers a full range of services to introduce Canadian exporters to new opportunities in Hong Kong, China and the rest of Asia. At the top of the list are a number of specialized trade fairs focusing on financial services, film and entertainment, information and communications technology, life sciences, food and wine, as well as small business services. These events enable Canadian firms to deal face-to-face with potential customers, agents and distributors, investors and joint-venture partners.

TDC also leads numerous trade missions in both directions between Canada and Hong Kong, and offers business matchmaking to help speed up the process of finding trade and investment partners.

INVEST HONG KONG: HELP ON-SITE

Invest Hong Kong offers invaluable services to Canadian companies seeking to establish a presence in Hong Kong. Past clients include law firms such as Lang Michener LLP, industrial giants such as Domtar Corp. and Research in Motion Ltd., and retailers such as Cipher International Ltd., Lululemon Athletica Inc., and the ALDO Group.

“We are constantly reaching out to firms interested in expanding to China and Asia,” says Shirley Wong, head of investment promotion, Canada and South America, for Invest Hong Kong. “Our goal is to understand their business and products, and provide consultation and information, such as providing information about their sector in Hong Kong, work visa application and staff settlement, assistance with business plan formulation and cost & benefit analysis, identifying pos-

sible opportunities, and tailoring a program to meet their needs. We do not charge for our services.”

Once clients are ready, Invest Hong Kong ensures that they meet all government and licensing requirements, helps find suitable sites and staff, and introduces them to Hong Kong contacts such as banks, accountants, lawyers and other service suppliers.

HKCBA: KNOW WHO’S WHO

The HKCBA monthly meetings make for useful networking events that also offer insights into the latest Hong Kong business news and trends. Its regional meetings and annual conference consistently attract high-level government leaders and corporate executives to share their personal and professional insights on the current status and future direction of Canada-Hong Kong trade issues. In addition, HKCBA organizes the Canadian contingent for the annual Hong Kong Forum each December.

TCS: EXPERTS ON THE GROUND

To support activities at the Canadian High Commission in Hong Kong, the TCS is more than doubling its existing China contingent with six new outposts in the quickly expanding interior regions.

Hong Kong-based staff can help Canadian companies learn more about local and regional markets by providing background information, qualified business contacts and trouble-shooting support for newcomers, as well as seasoned exporters.

In addition, the TCS is moving forward to help Canadian firms leverage their experience and expertise in the new world of integrative trade, which takes advantage of a full global network of design, production and distribution and sales.

Firms can now access the Trade Commissioner Service wherever they are, through a virtual trade commissioner link on its website: tradecommissioner.gc.ca/

EDC: PEACE OF MIND FOR EXPORTERS

EDC offers various forms of insurance to protect Canadian exporters and others from buyer non-payment, political risks and other potential liabilities. As well, it provides financing for exporters when foreign buyers require a bond to ensure contract fulfillment. That helps firms preserve working capital since otherwise they may have to use their own funds, or dig into their bank line of credit.

“For many Canadian firms, especially small and medium-sized companies, Hong Kong is a convenient place to do business,” says Jacques Lacasse, EDC’s chief representative for Asia. One EDC client, Sim-Ex Iwerks Entertainment, who used Hong Kong to showcase products, agrees. “Since 95 per cent of our sales are outside Canada, EDC’s support has been crucial to our success,” says Sim-Ex Iwerks president Michael Needham. “That includes everything from providing accounts receivable guarantees, letters of credit, and working closely with our bankers.”

EMA: FINANCE EXPORT DEVELOPMENT

Ontario-based firms can cover up to 50 per cent of the cost of export-related activities up to \$30,000 with financial support from the Export Market Access program, which is administered by the Ontario Chamber of Commerce and funded by the provincial and federal governments.

Applicants with review-ready applications and all the required information and documentation get a response within 30 business days.



LEARN FROM SUCCESS

IT’S ALL ABOUT RELATIONSHIPS

Aptus Systems Inc. parlayed the reputation it gained from successfully implementing a logistics management system for Cathay Pacific Cargo’s Canadian and Hong Kong operations into opening up similar opportunities in Hong Kong.

Within one year of setting up its four-person office in Hong Kong, the ERP specialist based in Richmond, BC had a roster of 30 clients including a convenience-store chain with almost 100 outlets.

But it took two years of planning. One step forward was to contact the Hong Kong Trade Development Council (TDC), sponsors of the annual International ICT Expo. “Our booth in the Canada pavilion at the show enabled us to meet prospective customers, make connections,

and get a sense of what is going on in Hong Kong,” says Aptus business manager Mimi Yee. In addition, Aptus also participated in HKTDC’s business matching service, which saved time and effort by arranging meetings with qualified, pre-selected potential customers and partners.

Aptus relied on Invest Hong Kong to deal with all the relevant government regulations and registrations. “Invest Hong Kong also introduced us to various banks and other firms that we would need to operate our business,” says Yee.

The next move is to expand into China, especially neighbouring Guangdong province, says Yee. “We hope our experience and track record in Hong Kong will also open doors for us in China.”

PUTTING DOWN ROOTS IN HONG KONG

Establishing a company in Hong Kong is fast, easy and affordable. In under a week and at very low cost, a Canadian company can be up and running. Most important, the same rules apply to both local and foreign-owned companies.

Here are the basic steps:

1. Select a company name and structure.
2. Incorporate the company at the Hong Kong Companies Registry. The process involves naming one director/shareholder with no residency requirement and stating a minimum nominal paid-up capital amount that has no statutory requirement. Processing takes about four days.

3. Register the business. It takes about 30 minutes to get a business registration certificate.

After satisfying those formalities, firms may look after practical matters such as opening a bank account, selecting office space and hiring staff. Foreign nationals working in Hong Kong require a visa, which can be issued in four to six weeks.

Individual firms may have other needs and requirements. For further advice, contact Invest Hong Kong sector specialists at the Hong Kong Economic & Trade Office at (416) 924-5544.

The Invest Hong Kong website investhk.gov.hk also provides useful links to Hong Kong government departments including:

- Companies Registry
- Inland Revenue
- Ratings & Valuation (Click on Property Market Statistics for average rents by property type and location.)
- Immigration (All application forms and notes are available.)
- Labour
- Trade and Industry
- Customs and Excise
- Intellectual Property (including the Hong Kong SARG IPD Trade Mark Search).

THE BEST WAY TO GET THERE



Cathay Pacific Airways – the airline offering the most flights between Canada and Hong Kong – will add two more per week between Toronto and Hong Kong on October 31st. Passengers will enjoy the convenience of 12 weekly flights to and from Toronto, and 14 weekly flights between Vancouver and Hong Kong.

Pan-Pacific travellers going to or from most Canadian cities can make easy connections with Cathay Pacific's Hong Kong flights in Vancouver or Toronto, thanks to its specially coordinated agreements with other airlines. And when in Hong Kong, passengers flying to other destinations in mainland China and Asia will appreciate the convenience and efficiency of Cathay Pacific's "home hub" at Hong Kong International Airport.

To make long-haul flights more enjoyable, Cathay Pacific has outfitted its First and Business Class cabins with a variety of thoughtful touches. These include seats with massage function that transform into full flat beds, large-screen personal televisions, featuring audio and video on demand, with an extensive library of movies, television programmes and games – as well as features such as laptop plug-ins – plus unrestricted aisle access.

Of course, luxury and convenience extend well beyond the flight. At Hong Kong International Airport, for example, Cathay Pacific and its sister airline Dragonair welcome First and Business Class customers and top-tier MPO members access to a choice of three unique lounges. The Wing, The Pier and G16 are relaxing havens that offer guests reading and work areas, private showers and delicious dining options. Cathay Pacific also recently opened an Arrivals Lounge, which is available to First Class and top-tier MPO members – perfect for freshening up after a long flight before you make your way to the city.

Combining world-class service with traditional Asian hospitality, Cathay Pacific's commitment to its customers has won them numerous awards and has contributed to the company's remarkable success, which is further

demonstrated through Cathay Pacific and Dragonair's comprehensive network of 40 destinations in the Asia-Pacific region, including over 18 cities in China.

Cathay Pacific is also investing in fleet upgrades to enable continued growth and expansion in the future. They are committed to buying 30 next-generation Airbus planes and six more Boeing 777-300ERs. In addition, the airline has invested in a new \$728-million cargo terminal at Hong Kong International Airport that will be one of the largest and most efficient in the world – with the capacity to handle 2.6 million tonnes of air freight annually.

Simply put, whether it's you or your goods flying to or from Hong Kong, Cathay Pacific is well-positioned to remain your best and most reliable choice for many years to come.

"I LOVE HELPING PEOPLE EVEN BEFORE THEY ASK."

Grace Hui, Flight Attendant
Cathay Pacific Airways

Grace was raised in Vancouver and now lives in Hong Kong—so she understands how people feel when they're travelling somewhere new, and she does her best to find ways to put them at ease. Meet Grace and other members of the Cathay Pacific team at www.cathaypacific.com/ca. While you're there, check out our great fares to over 110 destinations worldwide*—and if you're flying somewhere new, we hope you have the pleasure of flying with Grace.

Great service. Great people. Great fares. Visit cathaypacific.com/ca





SHOWCASE FOR CHINA

Hong Kong can be your stepping stone into China. That's the model that led to installations throughout China for SimEx-Iwerks Entertainment, a medium-sized Toronto company with about 125 employees that develops, produces, sells and installs three- and four-dimension special-effects theatres.

"We used Hong Kong to showcase our products," says company president Michael Needham. "We followed up our first installation in Hong Kong's Ocean Park in 1998 with two others at Hong Kong International Airport's Terminal 2. We then worked with the largest leisure park operator in China to install our facilities in Shenzhen, Chengdu and Wuhan, as well as in Beijing and Shanghai."

HONG KONG CHOOSES FRIES

Despite having successful overseas outlets – 15 in the United Arab Emirates and a handful in South Korea – New York Fries takes a passive approach to expanding overseas.

"People choose us," says President and CEO Jay Gould. "Often, they have gone to school in Canada and become familiar with our products. In the case of Hong Kong, two groups came to us who had various partners with extended family experience in food service."

Looking back, Gould says that Hong Kong and its sophisticated consumers were a great fit. "Since many of them are aware of our brand, they recognize our items as premium products compared to what other western food franchises offer," he says.

He fully expects to increase his Hong Kong presence beyond the current three outlets, as well as expand into Macau and eventually into China.

A FOOT ON THE GROUND

Edmonton-based Eleven Engineering recently moved into the Alberta International Business Development Office at the Hong Kong Science and Technology Park. Eleven is a fabless semiconductor company that develops and markets digital wireless audio semiconductors for first-tier consumer electronics companies such as JBL and Bose.

The new accommodations in Hong Kong were arranged by the Alberta International Business Partnering Program, a joint initiative involving Alberta's ministries of International and Intergovernmental Relations and Advanced Education and Technology, as well as the federal Department of Western Economic Diversification.

Spokesperson Jennifer Loeffler says the Hong Kong presence will give the company important advantages. "Before, we were doing business in Asia but we had no presence there. Now, we have access to software development tools, as well as a business office with support facilities and meeting rooms."

QUICK RETURNS FROM HONG KONG TRADE FAIR

Laboratory equipment maker Sciencetech Inc. of London, ON used funding from the Export Market Access program, administered by the Ontario Chamber of Commerce, to attend the Health Science Fair in Hong Kong in August.

"China now accounts for more than 50 per cent of our total production," says administrative and human resources manager Lucy Quaglia. "We sell only 5 per cent of our products in Canada and the rest we export. Three years ago, Europe was our biggest single market."

RESOURCES FOR BUSINESSES SEEKING TO TRADE AND INVEST

Alberta Hong Kong Office: www.alberta.org.hk/

The Canadian Trade Commissioner Service:

www.tradecommissioner.gc.ca/

Cathay Pacific Airways: www.cathaypacific.com

Export Development Canada: www.edc.ca

Export Market Access Program: www.exportaccess.ca

Export to China – A Guide to Canadian Business:

http://www.edc.ca/english/publications_14151.htm

Hong Kong-Canada Business Association: national.hkcbba.com

Hong Kong Economic and Trade Office: www.hketo.ca

Hong Kong Tourism Board: www.DiscoverHongKong.com/canada

Hong Kong Trade Development Council: www.hktdc.com

Invest Hong Kong: www.investhk.gov.hk