

HONG KONG

COUNTRY COMMERCIAL GUIDE

Including Macau

Fiscal Year 2004

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CHAPTER 1 EXECUTIVE SUMMARY

July 1, 2003 marked the sixth anniversary of Hong Kong's reversion to Chinese sovereignty after 156 years of British rule. The Sino-British Joint Declaration, signed in 1984, and the Basic Law, passed by China's National People's Congress in 1990, form the legal basis for China's "One Country, Two Systems" guarantees for the Hong Kong Special Administrative Region (SAR) of China. Hong Kong under Chinese sovereignty has remained one of the freest economies in the world and the PRC Government has generally respected its commitments regarding Hong Kong's high degree of autonomy.

The economic road since the landmark 1997 handover to China has not been smooth. Coincident with the handover was the start of the Asian financial and economic crisis in 1997-98 and Hong Kong's economy suffered with the rest of east and southeast Asia. Despite a growth burst in 2000/01, Hong Kong's economy has been sluggish following world economic trends. While the GDP growth rate in 2002 of 2.3 percent beat the government and leading economists' estimates, price deflation continued and became a drag on the economy with unemployment hitting an historical high of 8.3 percent. The outbreak of the Severe Acute Respiratory Syndrome (SARS) in March, 2003 exacerbated Hong Kong's economic uncertainty. While the World Health Organization declared Hong Kong "SARS free" in June, the drop in tourism and business has resulted in the government having to project lower growth estimates, from a strong 3.0 percent GDP growth projection for 2003 to a more likely 1+ percent GDP growth. SARS has had a serious impact on the local economy particularly in the tourism, retail, restaurant, and entertainment sectors. The Hong Kong Government has instituted a variety of programs to provide relief to local companies and expects the impact to be short-lived. The longer-term outlook is brighter but will depend on several factors including continued integration of Hong Kong's economy with China and particularly south China's Pearl River Delta and how quickly the world economy begins to turn around.

The Hong Kong economy depends on trade. Trade in 2002 was 2.5 times Hong Kong's GDP, an indication that Hong Kong remains one of the freest economies in the world. A service-based economy, Hong Kong enjoyed a US\$21 billion services trade surplus in 2002, versus a US\$13 billion merchandise trade deficit. The United States is Hong Kong's second-largest trading partner, and Hong Kong is the United States' thirteenth-largest market for exports. According to U.S. government statistics, U.S. goods exports to Hong Kong were US\$13 billion in 2002, while U.S. goods imports from Hong Kong were US\$9.6 billion. U.S. exports of commercial services to Hong Kong were US\$3.4 billion in 2001 (latest data available) and U.S. imports of commercial services from Hong Kong were US\$3.7 billion. Sales of services in Hong Kong by majority U.S.-owned affiliates were US\$9 billion in 2000 (latest data available), while sales of services in the United States by majority Hong Kong-owned firms were US\$1.3 billion.

The keys to Hong Kong's economic success – its free-market philosophy, entrepreneurial drive, absence of trade barriers, well-established rule of law, low and predictable taxes, transparent regulations, free flow of information, and complete freedom of capital movement – remain strong. The rise in unemployment has eased wage pressure and dampened the high turnover that most companies faced here in the past as a result of the extremely low unemployment rates that had traditionally prevailed. There has been intense public debate over the government's proposal to enact national security legislation under Article 23 of Hong Kong's constitution. The government's draft bill is pending the Legislative Council's action.

American business presence in Hong Kong is formidable and demonstrates the attraction of doing business in Hong Kong. There are over 1,100 U.S. firms in Hong Kong, including over 600 regional operations, employing 250,000 people. It is estimated that there are up to 50,000 American citizens residing in Hong Kong. According to U.S. government statistics, U.S. direct investment in Hong Kong

totaled almost US\$30 billion by year-end 2002 (based on historical costs), making the United States one of Hong Kong's largest investors, along with the United Kingdom, China, and Japan.

Since China's accession to the World Trade Organization (WTO) Hong Kong has been well positioned to play a key role for U.S. firms wishing to expand exports to one of the world's fastest-growing markets. Hong Kong is a trading hub for China and the region: its trading firms are experts at promoting U.S. products and services in China. Similarities in linguistic and cultural traditions have enabled Hong Kong traders to maximize opportunities for U.S. firms, and in particular for small and medium-sized enterprises and first-time exporters. The Closer Economic Partnership Arrangement (CEPA), a free-trade agreement between China and Hong Kong covering various sectors will take effect in January 2004. This agreement will likely further strengthen Hong Kong's position as the leading gateway to the China market.

With a per-capita GDP of about US\$24,000 and as the gateway port for china's richest regions, Hong Kong's market offers outstanding prospects for a full range of U.S. products and services. The Hong Kong government's focus on the environment and its continued spending on infrastructure projects also provide opportunities for U.S. firms. Other attractive sectors for U.S. firms include the medical and pharmaceutical sectors, information technology and telecommunication products, high-value food and consumer goods and safety products.

This Country Commercial Guide (CCG) presents a comprehensive look at Hong Kong's commercial environment using economic, political and market analyses. The CCGs were established by recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the U.S. business community. CCGs are prepared annually at U.S. embassies and consulates through the combined efforts of several U.S. Government agencies.

CHAPTER 2 ECONOMIC TRENDS AND OUTLOOK**A. Major Trends and Outlook**

The outbreak of the Severe Acute Respiratory Syndrome (SARS) in March 2003 has damaged and created considerable short-term uncertainty for Hong Kong's economy. The government has revised its projections for real GDP growth for 2003 to 1-1.5 percent. SARS has particularly hit the tourism, retail, restaurant, and entertainment sectors and has worsened unemployment. It is likely that the government budget deficit will also be affected.

The Hong Kong economy grew 2.3 percent in real terms to US\$162 billion in 2002, after the prior year's 0.5 percent growth. Exports of goods and services, including tourism, drove growth in 2002. As of May 2003 unemployment stood at 8.3 percent. Hong Kong has experienced price deflation for 55 months since the Asian financial crisis. Prices declined by 3 percent in 2002, as measured by the Consumer Price Index, after falling by 1.6 percent in 2001.

Trade is a key driver of the Hong Kong economy. Hong Kong's trade in 2002 was equal to 2.5 times its GDP, an indication of its open trade regime and role as a global entrepot. Hong Kong's merchandise exports rose 5.4 percent to US\$200.1 billion in 2002. About 90 percent of total exports are re-exports (goods made outside the territory) that enter Hong Kong for some value-added processing. In recent years, re-exports have increased while domestic exports have declined. This trend continued in 2002 as re-exports increased by 7.7 percent in value terms while domestic exports plunged by 14.7 percent. Imports rose by 3.3 percent in value terms in 2002 to US\$207.6 billion. Hong Kong's merchandise trade deficit decreased by 32.5 percent to US\$7.6 billion in 2002.

Hong Kong is increasingly a provider of services to the Asian region. This trend was reflected in a US\$21 billion services trade surplus in 2002, which offset the merchandise trade deficit and led to an overall trade surplus of US\$13.4 billion.

The United States is Hong Kong's second largest trading partner overall. It is Hong Kong's second largest market, after China, and its fourth largest source of imports, after China, Japan and Taiwan. According to U.S. government statistics, U.S. exports to Hong Kong in 2002 totaled nearly US\$13 billion and imports from Hong Kong US\$9.3 billion.

Reflecting strong demand for China's exports in world markets, Hong Kong's external trade grew in the first three months of 2003. Total exports increased 17.6 percent compared to the previous year. Domestic exports, however, dropped by 10.4 percent. Imports surged 17.8 percent.

Since 1983, the Hong Kong dollar has been linked to the U.S. dollar at a rate of approximately HK\$7.8 = US\$1 under a currency board mechanism. The Hong Kong government remains committed to the link. Under this system, local interest rates track those in the United States. The market exchange rate of the Hong Kong dollar against the U.S. dollar remained on the strong side of the link during 2002, ranging from 7.798 to 7.8.

B. Principal Growth Sectors

Services dominate Hong Kong's economy. In 2001, they accounted for 86.5 percent of GDP, employed 87.8 percent of the work force, and increased as a share of exports. Principal service sectors include trade and business services, finance, and tourism.

Manufacturing as a percentage of GDP has declined steadily as companies have shifted production facilities to lower cost locations in China and elsewhere. Manufacturing in 2001 accounted for about 5.2 percent of GDP and 8.9 percent of the work force.

(1) Business Services

Reflecting its position as a regional business hub, Hong Kong was the second largest services exporter in Asia after Japan in 2002, according to the World Trade Organization. In 2002, exports of services rose 6.7 percent from the previous year to US\$45.2 billion. Transportation was the largest services sector, contributing 31.2 percent to total services exports. This was followed by trade-related services, including offshore trading and merchandising, which contributed 31 percent to total services exports. Imports of services dropped 0.4 percent to US\$24.2 billion in 2002. Travel and transportation were the largest import services sectors, contributing 50 percent and 26.5 percent to total services imports, respectively.

(2) Financing

Hong Kong is an international financial center. The combined financial and insurance sectors contributed 11.6 percent of GDP in 2001. In 2002, Hong Kong was the world's 10th largest international banking center in terms of external assets and the Hong Kong Stock Exchange was the world's 10th largest stock market with a capitalization of US\$463 billion. In addition, Hong Kong is the leading fund management center in Asia. According to a survey conducted by the Hong Kong Securities and Futures Commission, there were 172 fund management companies in Hong Kong managing assets totaling US\$190 billion at end-2001, 69 percent of which were attributed to investors outside Hong Kong.

(3) Tourism and Retail Sales

Tourism is a key sector of the economy and one of Hong Kong's largest earners of foreign exchange. It generated revenues of US\$8.2 billion in 2001, up by 4.5 percent from 2000. Visitor arrivals totaled about 16.6 million in 2002, up by 20.7 percent. This was due primarily to a surge in mainland Chinese tourists after Beijing, at Hong Kong's request, removed quotas on the number of mainland visitors. China accounted for 41.2 percent of Hong Kong's total arrivals in 2002, followed by Taiwan with 14.7 percent, Southeast Asia with 11.5 percent, Japan with 8.4 percent, and the United States with 6 percent. The volume of visitors from the United States in 2002 increased to just over 1 million from 936,000 in 2001. Tourist numbers rose strongly in the first two months of 2003, rising by 28.6 percent from the same period of 2002 to 2.9 million. However, the outbreak of SARS in mid-March in Hong Kong has in the short-term reversed this rising trend. Provisional March tourist arrivals figures showed difficult times ahead.

Retail sales volume shrank by 2.6 percent in 2002, reflecting weak consumer demand, following a 1.2 percent increase in 2001. The largest increases in sales volume in 2002 were in bread, pastry, confectionery and biscuits (up 6.3 percent), motor vehicles and parts (up 5.1 percent), and electrical goods and photographic equipment (up 3.4 percent). Other retail segments showed volume decreases in 2002, including fruit and vegetables (down 14.6 percent), fuels (down 14.4

percent) and jewelry, watches and clocks (down 10.1 percent). In the first four months of 2003, retail sales volume decreased 3.6 percent from the previous year. SARS will hurt prospects for this sector through the rest of 2003.

(4) Property

The property sector has played an important, albeit decreasing, role in Hong Kong's economy. In 2002, average monthly rental prices for Grade A (the highest grade) office space in Central, Hong Kong's premier district, dropped 27.4 percent from 2001, due to corporate downsizing and a slowdown in the financial services industry. Office rentals in Central averaged about US\$4.5 per square foot per month, 50 percent lower than levels before the Asian financial turmoil. As of March 2003, Grade A office space in Central cost an average of US\$3.7 per square foot, with prime space costing US\$4.2-4.9 per square foot. In 2002, prices for Grade A space in Wan Chai North, another popular commercial district for multinational companies on Hong Kong Island, declined by 28 percent. Grade A office space in Wan Chai averaged US\$2.8 per square foot.

The residential property market remained sluggish in 2002, due to rising unemployment, flat nominal income growth and the uncertain economic climate. Market sentiment remained cautious in the first six months of 2003. The government has emphasized that it will continue to support a "stable" property market, that is, a market in which mass residential property prices do not fluctuate significantly. In November 2002, the Government unveiled nine housing measures to restore public confidence in housing prices. These measures include the suspension of land auctions until the end of 2003 and cancellation of the sales of public rental flats. The Peak, Wan Chai, Mid-levels, and the South Side of Hong Kong Island are the most popular living areas for expatriates. Rental prices in these areas in March 2003 had fallen some 30 percent from their 1997 peak, with average rents of US\$3.2 to US\$5 per square foot for the Peak, US\$2.3 to \$3.8 for Wan Chai and Mid-levels, and \$2.6 to \$4.2 for the South Side.

(5) Infrastructure (construction, environment)

See Chapter 2 Section E below for a discussion of these sectors.

C. Government Role in the Economy

The Hong Kong government pursues a generally non-interventionist approach to economic policy that stresses the predominant role of the private sector. Prior to the high-tech downturn, the government became somewhat more proactive in support of high technology development. The Hong Kong government describes its economic policy as, "big market, small government," and says the government should act as a "proactive market enabler." This means reducing government expenditure, investing in human resources, providing infrastructure that the private sector will not invest in, and securing foreign market access for local exports. The government has also said it will facilitate the movement of Hong Kong firms up the value-added chain in the financial services, logistics, tourism, and producer and professional services sectors. In addition, it seeks to leverage Hong Kong's traditional ties to the mainland by encouraging greater flows of people, goods, information, and services.

Hong Kong has consistently supported an open multilateral trading system. The government is an active member of the World Trade Organization (WTO) and the Asia Pacific Economic Cooperation Forum (APEC). Hong Kong maintains no anti-dumping laws, countervailing duty laws, import quotas or tariffs. There are consumption taxes on a few items that apply equally to

imports and local products. Hong Kong urges similar open trade policies for its trading partners. Hong Kong is a separate customs territory.

The tax system in Hong Kong is simple and tax rates are low. To help reduce a growing budget deficit, Financial Secretary Antony Leung announced phased tax increases in his March 2003 budget address. The highest income tax rate will be 16 percent (up from 15 percent and the business profits tax will rise to 17.5 percent (up from 16 percent). As a result of generous allowances under the law, 60 percent of the work force pays no income tax. The business profits tax is payable only on net profits arising in Hong Kong or derived from business performed in Hong Kong. There are no taxes on capital gains, dividends, or interest. Other government revenue sources include a stamp duty on property and stock market transactions, betting duties, an estate duty and a hotel accommodation tax. Under the Sino-British Joint Declaration and China's Basic Law on Hong Kong, Beijing cannot tax Hong Kong or otherwise extract revenue from the Hong Kong government. Beijing also plays no role in formulating Hong Kong's budget and fiscal policies.

Hong Kong government-funded core infrastructure projects have fueled the development of Hong Kong's economy. In fiscal year 2003, which ended March 31, 2003, public expenditure accounted for about 21.5 percent of GDP. The Government has set a target to reduce public expenditure to 18.4 percent of GDP by 2006-07. Prudent fiscal management and ample reserves have traditionally made it unnecessary for the Hong Kong government to incur debt to finance expenditures. The Hong Kong Monetary Authority (Hong Kong's de facto central bank) had a total of US\$15.1 billion in Exchange Fund bills and notes outstanding at year-end 2002. The bills and notes are used as instruments of monetary policy and are a principal means by which the Hong Kong government has worked to develop a local debt market. They are not used to finance expenditures.

D. Balance of Payments Situation

In 2002, Hong Kong recorded an overall balance of payments deficit of US\$2.4 billion, compared to a surplus of US\$4.7 billion in 2001. The current account registered a surplus of US\$17.5 billion in 2002, equal to 10.7 percent of GDP. This was net of visible trade deficit of US\$5.1 billion, an invisible trade surplus of US\$21 billion, a net inflow of factor incomes of US\$3.5 billion, and a net outflow of current transfers of US\$1.9 billion.

E. Infrastructure Situation

Hong Kong's modern and efficient infrastructure supports Hong Kong's role as a trade entrepot and regional financial and services center. Rapid growth has placed severe demands on that infrastructure, requiring major new investments, particularly for transportation and shipping facilities. Hong Kong has plans to invest US\$18.6 billion over the next five years with the goal of enhancing its competitiveness as a regional center. Significant elements include a planned expansion of container terminal facilities, additional roadway and railway networks, major residential/commercial developments, community facilities, and environmental protection projects.

(1) Airport

In 2002 Hong Kong's new international airport at Chek Lap Kok handled daily an average of 566 flights, 92,829 passengers, and more than 6,792 tons of cargo. Sixty-five international airlines operated some 3,900 scheduled flights per week between Hong Kong and 130 cities around the

world. Hong Kong is a major gateway to China. There are direct flights from Hong Kong to nearly 40 mainland cities. The demand for services to China is growing. The Hong Kong airport is in the world's top ranks in terms of passenger and cargo throughput.

With 24-hour operations, two all-weather runways, an ability to cater to all types of commercial aircraft, and high-speed transport links from the terminal to the city, the airport is well positioned to meet Hong Kong's aviation needs in the coming decades.

The airport has a multi-modal marine cargo terminal that provides vessel services between 16 ports in the Pearl River Delta and the airport. The Airport Authority has awarded contracts for new logistics and air express cargo centers. It has plans for other commercial developments to boost revenues, including an international exhibition center, an office and retail complex and a cross-boundary passenger ferry terminal. The Hong Kong Civil Aviation Department is in the early stages of a complete upgrade of its air traffic control system.

(2) Shipping and Port Activities

Hong Kong enjoys one of the best natural deep-water ports on the Chinese coast. With continued high economic growth and industrialization in China, the development of deep-water ports at Yantian and Gaolan in south China should complement Hong Kong's facilities over the medium term. Over the longer term, the Hong Kong port will face increased competition from those ports and from Shanghai, with likely improvements in service efficiency.

Hong Kong's container port is one of the world's busiest. In 2002, Hong Kong's eight, privately-operated container terminals and mid-stream operators handled 19 million twenty-foot equivalent units (TEUs) of cargo.

Given long-term growth projections, Hong Kong expects that it will require additional container terminals. There are currently eight terminals with 19 berths. Hong Kong is building its ninth container terminal (CT 9), on Tsing Yi Island opposite the eight existing terminals at Kwai Chung. The first part of this six-berth, 2.6 million TEU capacity container terminal has a completion date of December 2004. The Hong Kong Government has also made provisions for port facilities (CT 10 & 11) on reclaimed land on Lantau Island. Hong Kong's river trade terminal, which services the Pearl River Delta transportation system, occupies 65 hectares with a quay length of 3,000 meters, and is capable of handling 1.3 million TEUs of river trade cargo a year.

(3) Roads and Railroads

Hong Kong's roads have one of the highest vehicle densities in the world. In April 2003, there were 523,767 licensed vehicles and about 1,911 kilometers of roads, or 274 vehicles per kilometer of road. This high vehicle density, combined with difficult terrain and high density building development, poses a constant challenge to transport planning, road construction and maintenance. To cope with worsening traffic congestion, largely due to the rapid growth in the number of private cars, the Highways Department has launched an extensive road construction program. The department has budgeted US\$5.9 billion for road projects through 2006.

Hong Kong is serviced by three major railway systems. The Mass Transit Railway Corporation (MTRC) operates a five-line metro system, including the 34km Airport Express. The Kowloon-Canton Railway Corporation (KCRC) operates a 34km line that services the new towns in the

Northeastern New Territories and also provides border crossing and freight service into China. In addition, KCRC also operates a Light Rail Transit System in the Northwestern New Territories.

Hong Kong is working on a massive expansion of its rail system. The investment in Hong Kong's domestic and cross-boundary rail networks in the next decade is expected to exceed in scale the US\$20 billion spent on the transportation facilities associated with the airport. In August 2002, MTRC's existing rail line extension (Tseung Kwan O Extension) came into service for a new town in East Kowloon. Five major domestic passenger rail projects are already at various stages of construction. Of these, KCRC is moving ahead rapidly with West Rail Phase I and gearing up for extensions of its existing East Rail. The other 4 projects are the Tai Wai to Ma On Shan Rail Link, the Tsim Sha Tsui Extension, the Sheung Shui to Lok Ma Chau Spur Line and the Penny's Bay Rail Link. In addition, a second cross-border passenger service and a second cross-harbor rail link are high on the railway network development priority list. The Government is studying the feasibility of a new express railway linking Hong Kong, Shenzhen and Guangzhou.

(4) Environment

Hong Kong has serious air and water pollution problems and the government is taking steps to address them. In 2002, total government expenditure devoted to environmental protection work amounted to US\$769.2 million. Of this amount, US\$301 million, or 39.2 percent, was for waste facilities, improvement of air quality, prevention of noise problems, and environmental assessment and planning. Sewage services, including planning, design and construction of sewage systems, sewage treatment, and disposal facilities, used up US\$154.8 million or 20.1 percent of the total. In 2003, estimated government spending on the environment will increase by 1.7 percent over 2002.

The Harbor Area Treatment Scheme (HATS), formerly the Strategic Sewage Disposal Scheme, is by far the largest of all environmental infrastructure projects in Hong Kong. Phase I of HATS, which provides for the collection and primary treatment of 70 percent of Hong Kong's sewage before discharge into the inner harbor, was completed in December 2001. To further protect the marine environment, the Hong Kong government is undertaking various studies to determine the level of treatment and technology requirements of future sewage systems. The government estimates that these studies will be completed around the third quarter of 2003. It will undertake a public consultation in 2004 on the various options before selecting the most favorable model.

The Hong Kong government has been developing tighter vehicle emission standards as well as encouraging the use of cleaner fuel to improve the city's air quality. With the provision of government grants, more than 93 percent of all taxis have switched to liquefied petroleum gas (LPG) and the government plans to replace the whole fleet of 6,300 diesel light buses with LPG or electric light buses by the end of 2005. Together with the tightening of sulfur content of motor diesel to 0.005 percent, diesel-related pollutants dropped between 16 to 19 percent in 2002 from 1999. The Government is also working with the Guangdong Provincial Government in an attempt to combat regional air pollution.

The Waste Reduction Framework Plan (WRFP), sets out the various waste reduction and recycling initiatives the government has put in place. On a daily basis, Hong Kong generates more than 16,800 tons of municipal waste. At this rate, Hong Kong's three existing landfills will be full within the next 10 to 15 years. The Government is now embarking on an intensive program to provide recycling facilities, but Hong Kong will eventually need new waste treatment or disposal facilities.

F. Macau Economic Scene

Macau is a thirteen square mile territory of approximately 450,000 persons. It became a Special Administrative Region of the People's Republic of China on December 20, 1999.

U.S. business interests in Macau are modest but growing significantly. There are approximately 600 Americans residing in Macau, engaged in business, academic and missionary work. The United States is Macau's most important foreign market, taking nearly 46.2 percent of Macau's total exports. Imports from the United States amount to 4.1 percent of Macau's total imports.

Driven by increased tourism and gaming activity, Macau's real GDP in 2002 grew by 9.5 percent compared with 2.2 percent in 2001. Nominal GDP was US\$6.8 billion. Deflation continued in 2002, as prices declined 2.6 percent compared with a drop of 2 percent in 2001. Unemployment averaged 6.3 percent in 2002 compared with 6.4 percent in 2001. The Macau government's fiscal position is strong due to the significant tax revenue generated by gaming activities. In 2002, the budget surplus totaled US\$217.5 million, up by 313 percent from US\$52.6 million in 2001. Macau has no public debt.

Macau's most important industries are textiles, gaming, and tourism. Textile exports in 2002 accounted for about 85 percent of all merchandise exports. Total exports were US\$2.4 billion and total imports were US\$2.5 billion. Exports increased by 2.4 percent while imports rose 6 percent.

The Macau government awarded gambling concessions to two companies with U.S. interests in February 2002, thereby ending a 40-year gambling monopoly held by a local Macau company. This opening of the gaming sector is expected to lead to significant new investment in casinos, hotels, and related facilities. It should dramatically raise the U.S. business profile in Macau and is the centerpiece of the government's efforts to transform Macau into a Las Vegas-style gaming, convention, and family-oriented holiday destination. Macau also hopes to leverage its well-developed infrastructure, relatively low rents, and warehouse capacity to become a gateway to China.

Table 1: Macau – Estimates for Major Indicators (real growth rate percent change)

	2000	2001	2002
Real GDP	4.6	2.2	9.5
Inflation	-1.6	-2.0	-2.6
Private Consumption	0.9	2.9	4.8
Public Consumption	-9.8	-0.1	2.4
Gross Fixed Capital Formation	-28.4	-9.0	4.1
Public Sector	---	---	---
Private Sector	---	---	---
Unemployment	6.8	6.4	6.3
Trade Balance (US\$ MN)	283.4	-86.4	-173.4

Table 2: 2000-2002 Nominal Trade Figures (US\$ millions)

	2000	2001	2002
Total Goods Exports	2,530.2	2,291.5	2,347.6
Domestic Exports	2,128.2	1,883.0	1,839.2
Re-exports	402.0	408.5	508.4
Total Services Exports	3,291.0	3,784.2	4,366.9
Total Goods Imports	2,246.8	2,377.9	2,521.0
Macau/U.S. Trade			
Imports from U.S.	102.5	99.6	105.3
Exports to U.S.	1,229.6	1,113.4	1,143.9

Sources: Based on compilation by Research Department of the Macau Economic Services Bureau.

Note: Preliminary figures for 2002; all figures are converted from Patacas using average yearly exchange rates of 8.026, 8.034 and 8.033 for years 2000, 2001 and 2002 respectively.

G. Pearl River Delta – Hong Kong’s Hinterland

Located in the southern part of Guangdong Province, the Pearl River Delta (PRD) covers an area of 42,821 sq. km and is home to 47.8 million people. In 2001 its GDP reached US\$101 billion and accounted for 8.7 percent of China’s total GDP. The combined GDP of Hong Kong and the PRD, at about US\$265 billion in 2001, was greater than that of any other region in the Chinese mainland, and equivalent to that of Switzerland. In terms of per capita GDP, the levels of income of PRD cities are taking the lead in China. For instance, per capita GDP in Shenzhen reached US\$5,238 in 2001, surpassing that of Shanghai and Beijing.

The PRD is China’s largest export base, especially in consumer goods. In 2001, the PRD accounted for 34 percent of China’s total exports. To many foreign companies, setting up production bases in the PRD is part of their strategy for penetrating the domestic market of China. For the past decade, the eight mainland cities that form the core of the PRD have absorbed China’s largest share of FDI. From 1995 to 2001, cumulative actual FDI of the PRD amounted to US\$72 billion, i.e. 24 percent of the national total. What is unusual about this region versus other economically vibrant regions in the mainland is that its growth has been fueled mainly by the private sector, not government expenditures.

Hong Kong has been a big part of this boom. Since the early 1980’s, much of Hong Kong’s manufacturing base has moved to the PRD in search of lower-cost land and labor. As a result, 63,000 Hong Kong enterprises now own and manage a far-reaching network of activities in the area employing nearly 11 million people (58 times the size of Hong Kong’s own manufacturing workforce). Most of these companies are SMEs that are able to adapt quickly to market changes but do not command the access or leverage larger entities have with local authorities. The majority of Hong Kong investment that flows into China continues to be directed at the PRD. The relationship is a win-win situation. The assembly of goods takes place in the PRD but the high value-added elements, such as management, design, quality control, and finance, remain in Hong Kong. Shifting its manufacturing base has also allowed Hong Kong’s economy to focus on

the service sector, which brings with it higher paying jobs. Products formerly known around the world as “Made in Hong Kong” could now rightly be marked “Made by Hong Kong.”

The PRD’s Cantonese speaking population is heavily influenced in forming its tastes and fashions by Hong Kong’s Cantonese language media. According to Hong Kong public relations agencies, at least 20 percent of Hong Kong broadcast advertising is directed towards mainland consumers. This trend in targeting the mainland customer shows that Hong Kong-based companies look to the PRD not only as a low cost manufacturing base, but also more and more as a market in and of itself. For example, the Hong Kong office of the convenience store 7-11 has finalized plans to open 300 outlets throughout Guangdong Province. Other leading Hong Kong restaurants and clothing chains are also looking at opening up branches.

The PRD’s infrastructure is constantly changing. At the top of the list of priorities is infrastructure that will better integrate Hong Kong and the region including: the construction of the Shenzhen Western Corridor; a 5.1 km bridge from Tuen Mun to Dongjiaotou; a new logistic center for the Shenzhen airport; and a light rail to run from Shenzhen to Guangzhou. In addition, Guangdong province’s telecom infrastructure is the pride of the nation with more than 24 million mobile subscribers, 16 percent of China’s total and over 10 percent of China’s 34 million Internet users. All of this rapid development provides opportunities for U.S. companies.

The synergy between the PRD and Hong Kong will substantially benefit the economic development of the region. The signing of the Closer Economic Partnership Agreement (CEPA) on June 29, 2003 between Hong Kong and the mainland will spur this development. On the one hand, Hong Kong and the PRD will together further develop into a production base in the global supply chain. On the other hand, Hong Kong and the PRD can well serve as the operational center for foreign companies targeting China’s domestic market.

Despite this complementary economic relationship, China’s cumbersome and non-transparent regulatory system continues to hamper some areas of cooperation. With several competing jurisdictions, resource allocation is often not as efficient as it could be. This is one of the main reasons U.S. companies, particularly SMEs, have been successful in the region by linking up with Hong Kong SMEs to market their products and services to this dynamic PRD region.

CHAPTER 3 POLITICAL ENVIRONMENT**A. Nature of Political Relationship with the United States**

The United States and Hong Kong maintain close and cooperative relations. Hong Kong is our fifteenth largest trading partner overall. U.S. direct investment in Hong Kong through 2002 totaled nearly US\$30 billion. The United States maintains a wide number of cultural and educational exchanges with Hong Kong, and enjoys excellent cooperation in the international effort against global terrorism and in law enforcement matters. As many as 50,000 American citizens reside in Hong Kong and about 1,100 U.S. companies have offices there. U.S. Navy ships make regular port calls to Hong Kong.

B. Major Political Issues Affecting the Business Climate

Hong Kong became a "Special Administrative Region" (HKSAR) of the People's Republic of China on July 1, 1997. The Sino-British Joint Declaration, signed in 1984, and the Basic Law of the HKSAR, passed by China's National People's Congress in 1990, form the legal basis for China's "One Country, Two Systems" guarantees for Hong Kong. The HKSAR has a high degree of autonomy, and enjoys independent executive, legislative and judicial power. The HKSAR Government negotiates its own bilateral agreements and makes major economic decisions. The central government in Beijing is responsible for the foreign affairs and defense of the HKSAR.

Since reversion, the HKSAR has maintained its capitalist system, retained the status of a free port and international financial center and continued a free trade policy with free movement of goods and capital. It formulates its own monetary and financial policies and safeguards the free operation of business and financial markets. The Basic Law states that the HKSAR will maintain its own currency and use revenues exclusively for its own purposes. The Hong Kong Dollar continues to be freely convertible and foreign exchange, gold and securities markets operate as before. Hong Kong's 1997 reversion did not change Hong Kong's economic regulatory and supervisory framework. Hong Kong has separate membership in international organizations such as the World Trade Organization, APEC and the World Customs Organization.

The rule of law and an independent judiciary remain pillars of Hong Kong's free and open society. In 2002 the government proposed legislation pursuant to Article 23 of the Basic Law to criminalize treason, secession, sedition, subversion, theft of state secrets and links with foreign political organizations that are harmful to national security. The government's proposed Article 23 legislation elicited extensive public debate regarding the potential impact of such legislation on civil liberties and fundamental freedoms, culminating July 1, 2003 in the largest demonstration seen in Hong Kong since 1989. As a result, the Hong Kong Government has decided to defer a vote on the legislation in the Legislative Council pending further consultation with the community. The Hong Kong press remains free and continues to comment critically on issues, including the proposed Article 23-related legislation, China and its leaders, and the Hong Kong Government. There have been numerous demonstrations for and against government positions. Mainland Chinese companies in Hong Kong remain subject to the same laws and regulatory supervision as all other enterprises.

C. Brief Synopsis of the Political System, Schedule for Elections, and Orientation of Major Political Parties

When Hong Kong became a Special Administrative Region of China in July 1997, the Basic Law guaranteed for 50 years the continuation of the rights and freedoms that Hong Kong residents already enjoyed: in essence, the continued rule of law and the life-style of the Hong Kong people. Hong Kong's legal system, including the independence of the judiciary and the obligation of the executive authorities to abide by the law, has also continued.

Hong Kong is a free society with legally protected rights. Hong Kong's human rights record is excellent. The police force is under civilian control. A Chinese People's Liberation Army garrison remains a largely unseen and symbolic pressure in Hong Kong. Executive powers are vested in the Chief Executive, C.H. Tung, who is serving a five-year term that will conclude on July 1, 2007. The Hong Kong government has a layer of politically-appointed "ministers" between the Chief Executive and the Civil Service. Its Executive Council, which is similar to the U.S. Cabinet, includes all the Secretaries of policy bureaus. The judiciary is an independent body, which operates according to the precepts of the Common Law, with certain variations. The Basic Law (Article 8) stipulates that the laws in force in Hong Kong before reversion, except for any which contravene the Basic Law, remain in force. The Court of Final Appeal (CFA) is the final adjudicator of cases brought in Hong Kong courts. Under the Basic Law, the power of interpretation of the Basic Law is vested in China's National People's Congress Standing Committee, but Hong Kong courts are authorized to interpret, on their own, provisions of the Basic Law that are within the limits of the autonomy of the HKSAR.

Hong Kong's Legislative Council exercises legislative power, but the Basic Law stipulates limits on the types of private member bills that may be tabled. The most recent elections for the Legislative Council took place in September 2000 and the next occurs in 2004. Under the current formula, the Legislative Council consists of 24 geographic seats, 30 seats from "functional" constituencies representing the professions, business sectors, and labor, and 6 seats from an electoral committee. The number of directly elected sector seats will increase to 30 in 2004 in accordance with the Basic Law. The leading opposition political party is the Democratic Party, which received 35 percent of the vote in the September 2000 elections and has 11 seats in the Legislative Council. The pro-government Democratic Alliance for the Betterment of Hong Kong (DAB) is the second leading party and has ten seats.

D. Macau Political Scene

Under the principle of "one country, two systems" specified in the 1987 Sino-Portuguese Joint Declaration, the Macau Special Administrative Region (SAR) enjoys a high degree of autonomy except in foreign affairs and defense. The Joint Declaration and Basic Law (the Special Administrative Region's mini-constitution) specify that Macau's economy and way of life will remain unchanged for 50 years. After the 1999 handover, laws in force continued to apply. New laws were passed to provide for a new judicial system, including the establishment of a Court of Final Appeal. Macau's judiciary is independent.

The Macau SAR government is headed by Chief Executive Edmund Ho, who was chosen by a 200-member Selection Committee, in turn chosen by the Beijing-appointed Preparatory Committee. Macau held its first post-handover Legislative Assembly election in September 2001. Voters elected 10 of Macau's twenty-seven legislators in direct elections in geographical constituencies. Ten more were elected by "functional" constituencies. The Chief Executive appointed seven members. Macau does not have political parties. Pro-democracy groups made a

stronger showing than expected. In contrast to the pre-handover system where both the Portuguese Governor and the Legislative Assembly exercised legislative power, only the legislature now has legislative power. However, the Basic Law stipulates limits on the types of private-member bills that may be offered.

Macau's human rights record is good. The police force is under civilian control. A Chinese People's Liberation Army garrison in Macau serves primarily as a symbolic presence to underscore Chinese sovereignty. The government has made dealing with crime and corruption a priority, and its efforts, coupled with a clampdown on organized-crime activity on the Chinese side of the border, have resulted in a sharp decrease in organized-crime violence.

CHAPTER 4 MARKETING U.S. PRODUCTS AND SERVICES

For many American products and services, initial market penetration in Hong Kong does not require an expensive investment. Given that Hong Kong is a "free port" with virtually no duties or tariffs and that it has a wide-ranging network of agents and distributors, a well-managed market penetration program with a moderate investment in market development is generally all that is required initially. Due to its open nature, however, Hong Kong is among the most competitive and price sensitive markets in the world. Companies considering entering this market should be aware that the Hong Kong business climate is extremely fast-paced. Decisions are made quickly, and companies need to be able to respond to inquiries immediately or they risk losing the market to faster moving suppliers.

Numerous American products and services can be found in Hong Kong, and throughout China. Many excellent agents and distributors for China are located in Hong Kong, although given China's size and diversity, it is sometimes advisable to work with different agents for different regions of China. Hong Kong companies are eager to talk to potential exporters and have a strong interest in representing good quality, competitively-priced U.S. products from companies committed to the market. Commitment to the market is demonstrated in various ways but should include: quoting in metric, providing Chinese language material, responding quickly to inquiries, meeting relevant standards, and visiting the market for first-hand understanding and relationship building.

A. Distribution and Sales Channels

One of the best ways to sell products in Hong Kong is through the use of agents or distributors. It is also an excellent way of minimizing the initial investment in the market. There is a wide range of companies that can serve as agents or distributors for U.S. firms. Other options for pursuing Hong Kong's market are establishing an office or partnering. Companies that are looking to sell equipment needing long-term maintenance, technical support or installation, or are seeking to become involved in infrastructure projects, frequently seek to partner with local companies.

B. Use of Agents/Distributors/Finding a Partner

Working with agents and distributors in Hong Kong is very much like working with an agent in the United States. An agent takes orders in the supplier's name. Distributors act in their own name and may stock products purchased from the manufacturer for resale. The choice depends on the relationship with which the manufacturer/supplier is most comfortable and the nature of the business.

Hong Kong has no special legislation regarding agents and distributors. Virtually anything which both sides can agree to and put into a written contract is acceptable and enforceable, including restrictions on territory and a grace period for termination of the agreement. While not required by Hong Kong law, the more complex the contract, the more helpful legal counsel can be in drafting the text. Items that are often in the contract include:

- Discussion of exclusivity and sales territories (always a sensitive issue; business people should be careful about granting an exclusive agency too soon or in too large a territory if the agent is to have coverage beyond Hong Kong.)

- Discussion of proprietary information (local law prohibits theft of intellectual property, but prevention of piracy is always less expensive and more effective than post-facto legal action.)
- Levels of sales activity – set specific targets and goals to qualify for maintaining or renewing the agreement
- Duration
- Payment terms
- Quality control – inspection – verification
- Rule of law – jurisdiction in the United States vs. Hong Kong (it is generally Hong Kong, but another location may be specified – usually for arbitration.)
- Covenants restricting activity following cancellation of the contract.

There are many types of agents and distributors in Hong Kong, ranging from those who simply stock retail stores with standard items to agents who provide sales, engineering and technical support for complex systems. It is common for a single company to deal in a wide variety of products in a particular sector. Agents and trading companies may be less specialized than companies in a large economy like the United States, but the best ones are focused and have contacts in a general line of business.

C. Franchising

The concept of franchising has been catching on in Hong Kong for the past decade, in line with Hong Kong consumers becoming more affluent. The number of franchise operations in Hong Kong grew from 52 in 1992, to 130 in June 2003. Nearly 80 percent of the franchise operations in Hong Kong are of U.S. origin. Home-grown franchises have also developed, especially in catering and fashion wear. Many have expanded their franchises to southeast Asia and China.

D. Direct Sales

Hong Kong has a well-developed network of retail outlets. Supermarkets, department stores, convenience stores and modern shopping malls have become increasingly popular, because of their easy access, convenient location and seven-day availability. Consumers prefer buying products from retail outlets to buying products sales through mail order and person-to-person selling, as they consider retail shopping a leisure activity. Direct sales account for less than one percent of total retail sales though it has increased in popularity following the economic slowdown in 1998. Many who lost their jobs turned to direct selling while others who suffered pay cuts joined direct selling companies to augment their incomes. Direct sales surged between five percent and 10 percent over the past few years. Many local companies, particularly Chinese herbal supplement distributors, have adopted direct sales.

E. Joint Ventures/Licensing

Joint ventures or strategic alliances can be very helpful in entering the market, and are particularly important in competing for major projects. (For additional information on joint ventures, see Chapter 7, Investment Climate Statement, below.)

Licensing is increasingly common in the field of brand-name product manufacturing and marketing.

F. Steps to Establishing an Office

Foreign companies are allowed to incorporate their operations freely in Hong Kong, to register branches, or to set up representative offices. There is no restriction on the ownership of such operations. Company directors need not be citizens of, or reside in, Hong Kong. Reporting requirements are straightforward and not onerous. There is no distinction in law or practice between investment by foreign-controlled companies and those controlled by local interests. There are no disincentives to foreign investment such as limitations on the use or transfer of foreign currency, or any system of quotas, performance requirements, bonds, deposits, or other similar regulations. High labor and rental costs are the major disincentives to establishing a presence in Hong Kong.

To incorporate or register an overseas company, the company should first file statutory declarations with the Registrar of Companies. It should then submit necessary documents to the Administration Section of the Companies Registry. Specific information on establishing an office in Hong Kong is available at:

Overseas Companies Section
Companies Registry
29/F, Queensway Government Offices
66 Queensway
Hong Kong
Tel: (852) 2867-4655
Fax: (852) 2523-5629
E-mail: crenq@cr.gov.hk
Web site: <http://www.info.gov.hk/cr>

Another reference publication is “Establishing an Office in Hong Kong” an annual “how to” handbook with reviews of business services as varied as freight forwarding, law, and consulting, published by The American Chamber of Commerce in Hong Kong. See Chapter 11 for contact information for the Chamber.

G. Selling Factors/Techniques

The major selling factors are the same as in the United States: price, quality, timeliness in delivery, and service. Initial sales require more face-to-face contact as Asians generally place a premium on developing personal connections.

H. Advertising and Trade Promotion (including listing of Major Newspapers and Business Journals)

U.S. companies can use a variety of promotional vehicles to introduce and raise the visibility of their products and services in the Hong Kong market. These include:

- Special trade fairs and exhibitions
- Advertising in the media and other public relations activities
- Seminars
- In-store promotions

- Joint promotions with wholesale and retail outlets

Hong Kong is a major conference and exhibition center. Hundreds of international exhibitions are held annually. The Hong Kong Convention and Exhibition Centre (operated by the quasi-governmental Hong Kong Trade Development Council), has approximately 500,000 square feet of exhibition space, including 300,000 square feet added in a major expansion completed in the summer of 1997. For more information please contact:

Hong Kong Convention & Exhibition Centre
No. 1 Expo Drive
Wan Chai, Hong Kong
Venue Booking Hotline: (852) 2582-1111
Tel: (852) 2582-8888
Fax: (852) 2802-7284
E-mail: info@hkcec.com
Web site: www.hkcec.com

Please see Chapter 13, Trade Event Schedule, for a list of the major local trade fairs.

Television is a widely used medium with an estimated daily audience of 2.25 million households out of a population of nearly 6.8 million people. Hong Kong Television also reaches much of neighboring Guangdong Province in China, where it is very popular.

As one of the largest centers in the world for Chinese language publications, the territory produces more than 760 publications, including 53 newspapers (25 are Chinese, 10 English, five bilingual, five in other languages and other news agency bulletins), a number of electronic newspapers, and 709 periodicals. Advertising agencies, including many of international standing, offer a full range of services in Hong Kong.

Suppliers should provide technical catalogs in English, and preferably in Chinese as well, for distribution to agents and firms. Company brochures are particularly useful when visiting Hong Kong for the first time. English-Chinese business cards are also helpful.

Newspapers:

South China Morning Post
South China Morning Post Publishers Limited
29/F, Dorset House, Taikoo Place
979 King's Road
Quarry Bay, Hong Kong
Tel: (852) 2565-2333
Fax: (852) 2833-0067
E-mail: info@scmp.com
Web site: www.scmp.com

The Standard
Sing Tao Holdings Ltd.
3/F, Sing Tao Building
1 Wang Kwong Road
Kowloon Bay
Kowloon, Hong Kong
Tel: (852) 2798-2798

Fax: (852) 2795-3009
Web site: www.thestandard.com.hk

Chinese Newspapers:

Apple Daily
8, Chun Ying Street
Tseung Kwan O Industrial Estate West
Tseung Kwan O, N.T.
Hong Kong
Tel: (852) 2990-8388
Fax: (852) 2741-0830
Web site: www.appledaily.atnext.com

Hong Kong Economic Journal
4/F, North Point Industrial Building
499 King's Road, North Point
Hong Kong
Tel: (852) 2856-7502
Fax: (852) 2597-5822

Hong Kong Economic Times
6-7/F, Kodak House II
321 Java Road, North Point
Hong Kong
Tel: (852) 2565-4288
Fax: (852) 2811-1926

Ming Pao Daily News
Ming Pao Newspapers Limited
15/F, Block A, Ming Pao Industrial Centre
18 Ka Yip Street, Chai Wan
Hong Kong
Tel: (852) 2595-3111
Fax: (852) 2898-3783
Web site: www.mingpao.com

Oriental Daily News
Oriental Press Centre
Wang Tai Road
Kowloon Bay, Kowloon
Hong Kong
Tel: (852) 2795-1111
Fax: (852) 2795-2299
E-mail: odninfo@oriental.com.hk
Web site: www.orientaldaily.com.hk

Sing Tao Daily
Sing Tao Limited
3/F, Tower B, Sing Tao Building
1 Wang Kwong Road

Kowloon Bay, Kowloon
Hong Kong
Tel: (852) 2798-2323
Fax: (852) 2795-3022
E-mail: info@singtao.com
Web site: www.singtao.com

Trade Journals:

AmCham (Monthly)
American Chamber of Commerce in Hong Kong
1904 Bank of America Tower
Central, Hong Kong
Tel: (852) 2526-0165
Fax: (852) 2537-1682
E-mail: amcham@amcham.org.hk
Web site: www.amcham.org.hk

Asia Computer Weekly (ACW)
CMP Asia Ltd.
17/F, China Resources Building
26 Harbour Road
Wanchai, Hong Kong
Tel: (852) 2827-6211
Fax: (852) 2805-5696
Web site: www.asiacomputerweekly.com

Building Journal
Construction & Contract News (Monthly)
China Trend Building Press Ltd.
Room 901, C.C. Wu Building
302 Hennessy Road
Wan Chai, Hong Kong
Tel: (852) 2802-6299
Fax: (852) 2802-6458
E-mail: trend@building.com.hk
Web site: www.building.com.hk

Far Eastern Economic Review (Weekly)
Review Publishing Company Limited
25/F, Citicorp Center
18 Whitfield Road
Causeway Bay, Hong Kong
Tel: (852) 2508-4300
Fax: (852) 2503-1537
E-mail: review@feer.com
Web site: www.feer.com

Fortune
CCI Asia-Pacific Ltd.
23/F, Tianjin Building

167 Connaught Road West
Hong Kong
Tel: (852) 2858-0789
Fax: (852) 2857-6309
E-mail: marketing@cci.com.hk
Web site: www.cci.com.hk

Hong Kong Entrepreneur (monthly)
The Chinese Manufacturers' Association of Hong Kong
PR & Publications Division
3/F, CMA Building
64 Connaught Road Central
Hong Kong
Tel: (852) 2545-6166
Fax: (852) 2541-4541
E-mail: info@cma.org.hk
Web site: www.cma.org.hk

Hong Kong Industrialist (Monthly)
Federation of Hong Kong Industries
4/F, Hankow Center
5-15 Hankow Road
Tsimshatsui, Kowloon
Hong Kong
Tel: (852) 2732-3188
Fax: (852) 2721-3494
E-mail: fhki@fhki.org.hk
Web site: fhki.org.hk

Logistics HK (Monthly)
Hong Kong Productivity Council
HKPC Building
78 Tat Chee Avenue
Yau Yat Chuen, Kowloon Tong
Kowloon, Hong Kong
Tel: (852) 2788-5678
Fax: (852) 2788-5900
E-mail: hkpcenq@hkpc.org
Web site: www.hkpc.org

Machinery & Materials
B & I Publication Co. Ltd.
Unit 902, 9/F, Edward Wong Tower
910 Cheung Sha Wan Road
Kowloon
Hong Kong
Tel: (852) 2785-6622
Fax: (852) 2866-7732
E-mail: hkmm@hkmmachine.com.hk
Web site: www.hkmmachine.com.hk

I. Pricing Product

If possible, quote in metric, on a deliverable basis to Hong Kong (i.e. CIF or C&F rather than FOB). Hong Kong companies have many options, so American companies must make it as easy as possible to buy American.

J. Sales Service/Customer Support

Some sort of local presence, whether it is a branch office or an agent or distributor, is very important in getting established in the market. Business in Hong Kong (and elsewhere in Asia) requires relationships that can only be developed with some kind of local presence. Prompt after-sales service is also crucial to succeeding in this very competitive market.

K. Selling to the Government

The Government Supplies Department (GSD) is the central purchasing, storage and supply organization for the Government of the Hong Kong Special Administrative Region, serving over 80 government departments and certain non-government organizations. The GSD normally purchases by open tender, with decisions based on compliance with tender specifications, competitiveness in price, back-up service and delivery. The GSD gives no preference to any particular source of supply from any country or organization. GSD spent US\$585 million in 2002, with American products winning approximately 38.5 percent of the total procurement contracts (about US\$225 million). Hong Kong joined the WTO Agreement on Government Procurement in May 1997. Tenders are now covered by the Agreement on Government Procurement of the World Trade Organization (WTO GPA), and a Review Body on Bid Challenges has been set up by the Government to handle challenges made against alleged breaches of the WTO GPA. Invitations to open tender are published in the Government of the Hong Kong Special Administrative Region Gazette and in selected Hong Kong newspapers. Tender notices are also published on the Internet in the GSD Home Page (<http://www.info.gov.hk/gsd/index.htm>). Tenderers usually have at least three weeks to prepare their offers. For procurement covered by the WTO GPA, the time allowed for bid submission is 40 days. Tenders normally have a 90-day validity period unless otherwise indicated. Payment to overseas suppliers is usually effected by telegraphic transfer, bank draft or letter of credit upon acceptance of the goods. Contract awards with the names of successful tenderers and contract sums are published monthly in the Government Gazette and on the Internet.

For information about a subscription to the Government of the Hong Kong Special Administrative Region Gazette contact:

Information Officer
Publications Sales Section
Information Services Department
Room 402, Murray Building
Garden Road
Central, Hong Kong
Tel: (852) 2842-8839
Fax: (852) 2598-7482
E-mail: puborder@isd.gcn.gov.hk

The GSD maintains lists of registered suppliers for issuing tender invitations. Any company not currently registered with the GSD wishing to be considered for inclusion in these lists may apply

in writing to the Director of Government Supplies. Companies are required to provide basic information about their organizations and the goods they offer, such as the business registration certificate, company profile, annual report and product catalogues. The GSD evaluates this information and those companies that are found acceptable will be included on the lists. The GSD offers the Electronic Tendering System (ETS) for firms interested in obtaining and submitting tender documents on-line. GSD-registered suppliers can download tender documents, submit tender offers, and related questions. To access ETS, firms need to subscribe. Details are available in GSD-ETS's web site at <http://www.ets.com.hk/>.

The U.S. Commercial Service at the U.S. Consulate General in Hong Kong regularly reports on government tenders. These reports are available via the web site: www.export.gov.

Companies seeking more information on the GSD are encouraged to contact:

The Director of Government Supplies
Government Supplies Department
10/F, North Point Government Offices
333 Java Road
North Point, Hong Kong
Tel: (852) 2231-5100
Fax: (852) 2510-7904
<http://www.info.gov.hk/gsd/index.htm>

L. Protecting Your Product from IPR Infringement

The best protection for an American company is to aggressively market in Hong Kong. By using a good local agent, American manufacturers or suppliers can make their product legally available. Dealers have a strong incentive to stop any piracy, and with good local connections, have a better chance of making that happen than an American company which is not actively participating in the market. The chief law enforcement body for Intellectual Property Rights (IPR) is the Hong Kong Customs and Excise Department. However, protecting copyrights or trademarks takes vigilance, and even with the U.S. Government vigorously pressing Hong Kong on this issue, enforcement is still dependent on reporting incidents of product piracy to the authorities and, in some cases, providing evidence in court. For more information on intellectual property legislation and registration, see Chapter 7, Section G, below.

M. Need for a Local Attorney

Hong Kong follows the Common Law System and disputes which cannot be resolved between the interested parties are commonly pursued through the court system. Attorneys are needed for most court proceedings and are extremely expensive.

CHAPTER 5 LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENT

Leading sectors for U.S. exporters to Hong Kong are closely linked to those of China's Pearl River Delta region, due to geographical proximity and Hong Kong's role as a staging point for new-to-China-market American companies. Hong Kong's advantages (such as the rule of law, a robust financial system and a fully convertible currency) are not easily duplicated. Small and medium-sized companies, in particular, will continue to use Hong Kong as a base to trade with China, and Hong Kong firms stand ready to represent U.S. companies as distributors or agents in China. With the second highest per capita income in Asia, Hong Kong's market offers good opportunities for U.S. exporters. Medical/pharmaceutical and security products are among the most promising sectors for U.S. exporters due to growing health and safety concerns in the region. Interest in information technology and telecommunications products should remain strong given their high priority in the Hong Kong government's agenda. Other strong sectors for U.S. companies include: cosmetics, franchising, air conditioning and parts, plastic materials and resins, building equipment and sports/leisure equipment. With the signing of the CEPA, a modified free trade agreement between Hong Kong and China, many Hong Kong products will be given duty/tariff reductions. U.S. companies may be able to take advantage of this market opening if they have maintained prior operations in Hong Kong and if their products conform to the country of origin rules/Hong Kong content rules, which will be finalized by the end of the calendar year.

A. Best Prospects for Non-Agricultural Goods and Services

Following is a list of the non-agricultural goods and services best prospects sectors for U.S. exporters to Hong Kong:

No.	Code	Sector Description
1	HTL	Hotel and Restaurant Equipment
2	AIR	Air Conditioning
3	CON & PVC	Construction Equipment and Technology
4	SEC	Security and Safety Equipment
5	PET	Pet Foods and Pet Supplies
6	APS	Automotive Parts and Accessories
7	ELC	Electronic Parts/Components
8	TEL, TES	Telecommunications Equipment and Services
9	LAB	Laboratory and Scientific Instruments
10	DRG	Drugs/Pharmaceuticals
11	PMR	Plastic Materials and Resins
12	SPT	Sports Equipment
13	FNS, INV	The Hong Kong Venture Capital Market

1. Hotel and Restaurant Equipment (HTL)

The import market for hotel and restaurant equipment in Hong Kong is highly competitive. In 2002, total hotel and restaurant equipment imports amounted to US\$46 million. United States was the largest supplying country capturing 20 percent of total market share and competing with their European counterparts in the high-quality and high-price market segment. Taiwanese

suppliers competed with those from China in the low-end market. As the market seeks higher-end equipment, the U.S. market share should continue to compete favorably.

Hong Kong relies on imported hotel and restaurant equipment. An increasing population, changes in lifestyle and a significant tourism industry contribute to a strong demand. While the recent SARS outbreak and economic slowdown have had some temporary negative effects, the future remains promising as sizable hotel development projects and major tourist attractions gradually come into operation.

Hong Kong is a fast-paced international city with a population of more than 6.8 million. A change in the lifestyle and an increasing number of working women have contributed to citizens dining out five to six times a week, giving rise to a steady demand for restaurant equipment. By 2003, there were more than 10,000 restaurants in Hong Kong, of which about 8,000 were general restaurants and 2,000 were specialty light-refreshment restaurants. While conventional restaurant business has declined, business in specialty restaurants (coffee shops and light lunch restaurants) has grown by more than 15 percent annually.

The tourism industry is a pillar of Hong Kong's economy. At the end of 2002, Hong Kong had 98 hotels, with about 39,000 rooms. Hong Kong's approved 24 new hotel development projects (including two Disney hotels) will bring the total number of rooms to more than 51,000 by the end of 2006. An adjacent city, Macau, has recently awarded new gaming franchises to two consortia, both with US interests. Major hotels and convention facilities are on their development blueprints. These massive projects will generate a substantial demand for hotel and restaurant equipment for both cities.

Year	2001	2002	2003
Total Market Size	41	36	65
Total Local Production	10	10	10
Total Exports	28	20	25
Total Imports	59	46	80
Total Imports from the U.S.	13	9	18

All figures are in US\$ million. The above statistics are unofficial estimates.

2. Air Conditioning (AIR)

Hong Kong's Severe Acute Respiratory Syndrome (SARS) epidemic has increased public awareness about hygiene. Concern regarding the indoor air quality of work premises is stimulating demand for air-filtering and germ-killing components in Hong Kong's HVAC market.

Hong Kong schools follow U.S. standards and are provide 10 liters of fresh air per person. To meet this standard, the Government's Architectural Services Department is requiring two fresh air preconditioners per classroom, thus creating a demand for an average of 100 units per school. In Hong Kong, there are over 700 public schools in addition to kindergartens, universities, and private schools. Fresh air preconditioners in Hong Kong are predominately Japanese, e.g.,

Mitsubishi, Daikan. U.S. preconditioner manufacturers should target school refurbishment and new school projects.

Energy efficiency is high on the government's agenda. Items that facilitate energy recovery or energy efficiency will gain market acceptability. For example, energy-efficient air handling units with heat recovery components, vacancy sensors, and frequency inverters will become popular.

Hong Kong has fewer than ten manufacturers of air conditioner (A/C) parts and components. All are medium-size companies and include Efatar, Air Master, and Ryowo. The production facilities of these companies are in China. Their products include chillers, air handling units, fan coil units, cooling towers, heat exchangers, water pumps, VAV boxes, air louvers, air dampers, fire dampers, timers, evaporator coils, and condenser coils. Product sales are mainly local and for export to China and Macau.

The majority of Hong Kong's A/C parts are imported. U.S. and European products dominate the market for chillers, air filters, ventilation fans, and blowers. U.S. brands (Honeywell and Johnson's Control) dominate the market for control products. Other A/C parts such as boilers, gaskets, bearings, and valves are imported from southeast Asian countries, as well as from Europe and the United States.

Year	2001	2002	2003
Total Market Size	292	210	252
Total Local Production	15	10	12
Total Exports	469	405	486
Total Imports	746	605	726
Total Imports from the U.S.	56	34	41

All figures are in US\$ million.

3. Construction Equipment and Technology (CON & PVC)

Hong Kong is a densely populated city of 6.7 million people in a total area of 1,100 square kilometers. The conventional cut-and-cover method to install and repair essential underground infrastructure is becoming difficult without inconveniencing traffic, society and the environment. There has been increased usage of trenchless technology since 1998, when the Hong Kong Government's Water Supplies Department (WSD) constructed a large-scale water main project using this technique. Relevant industry contacts expect a 20% growth in the market for trenchless technology products in the coming years, due particularly to increased water pipe rehabilitation and underground cable connection.

Each year, Hong Kong suffers 25 percent water burst and leakage due to aging water mains and the high-pressure pipe capacity. WSD plans to rehabilitate 3,000 kilometers of water mains during 2000–2020 at an estimated cost of US\$1.3 billion. The water pipe rehabilitation plan will create demand for pipes, pumps, and other trenching equipment.

Although many trenchless technologies are in use, Hong Kong has been leaning towards pipe jacking in the past few years. Horizontal directional drilling (HDD) has become popular recently and relining projects will increase significantly due to demand for water main repair. Equipment in high demand will include locators, radar, CCTV, robotic cutters, tee off tools, pipe cleaning equipment, computer software for rehabilitation design, pipe supplies, drill rods, drill bits, mud pumps, mud motors, and bentonite. There will also be strong demand for underground detection and trenchless consultancy.

All trenchless equipment is imported, mostly through agents and distributors who sell or lease to contractors. Timely delivery, technical support availability and equipment durability are the most important factors in making purchase decisions. U.S. products perform well in the HDD and ramming sectors. European products compete strongly in the relining, closefit lining, pipe jacking, and microtunneling equipment sectors. For detection equipment, UK products have 70 percent of the market. U.S. CCTV equipment and parts, compressor and boilers are popular.

Year	2001	2002	2003
Total Market Size	146	121	146
Total Local Production	3	2	3
Total Exports	144	167	200
Total Imports	287	286	343
Total Imports from the U.S.	23	22	26

All figures are in US\$ million.

4. Security and Safety Equipment (SEC)

Hong Kong is a growing market for safety and security equipment and services. In general, the Hong Kong market leans towards more sophisticated, high-tech products, an area in which U.S. firms enjoy a prominent market share. In 2002, imports for security and safety equipment totaled approximately US\$727 million. After Japan, the U.S. was the second largest supplier of high-tech security products. The European Union was the third major competitor in this area. China and Taiwan were the market leaders in the low-end technology security market.

In 2002, Hong Kong authorities reported a total of 75,877 criminal cases, an increase of four percent over 2001. Among them were 3,493 cases of robbery, 8,211 cases of burglary, 29,542 cases of thefts (including 7,470 shop thefts and 2,412 vehicle thefts). Commercial and industrial establishments, even the general public, are spending more on security-related equipment and services.

In recent years, the Hong Kong Police Department's Crime Prevention Bureau has succeeded in raising the public's security awareness. Effective methods include introducing security equipment, holding tailored security seminars, conducting security studies, and designing security plans for commercial and residential premises. Popular products include surveillance equipment, high-security locks, reinforced safes, burglar alarms, access controls, property protection devices, central alarm systems, and identification devices.

Security industry associations and insurance companies have joined forces to promote the installing sophisticated systems in commercial and industrial premises. Retailers are investing in detection equipment, such as Electronic Article Surveillance (EAS) because of increased shop theft. Individual property owners are seeking better protection for their possessions. Concern about fire and other safety hazards has boosted demand for fire security products and services.

While Hong Kong is one of the safest cities in the world, increased security concerns worldwide following 9/11 and the recent SARS outbreak have fueled local demand for airport and border-crossing security equipment, such as chemical and thermal detection equipment.

Hong Kong plans to build a large detention complex (Superjail) in one of its outlying islands. The estimated project cost for this centralized prison facility is approximately US\$2 billion. Upon completion, the facility will have a 7,000-inmate capacity. The Hong Kong Government will seek detention equipment, especially centralized electronic control systems for the project.

Year	2001	2002	2003
Total Market Size	73	61	80
Total Local Production	180	185	190
Total Exports	810	851	860
Total Imports	703	727	750
Total Imports from the U.S.	66	55	65

All figures are in US\$ million. The above statistics are unofficial estimates.

5. **Pet Foods and Pet Supplies (PET)**

Hong Kong's pet food and pet supplies imports were about US\$27 million in 2002. The U.S. had a 55 percent market share, owing to a favorable quality image, especially for products in the medium to high-end price range. U.S. brands such as Pedigree, Pal, Whiskas, Iams, Eukanuba, and Naturalife are popular in the market.

Owning pets in Hong Kong has a status image. As more and more households own pets, the pet food and pet supply market is growing, though the economic downturn affected the type of pet foods and pet supplies that pet owners demand. Medium-income pet owners are turning increasingly to lower-priced products, reflecting their reduced spending power. Packaging is also an import factor affecting the buying decisions of the medium-income pet owners. Higher-income pet owners have price-inelastic demand and will continue to buy the premium products. U.S.-made products, with their attractive packaging and nutritional value, are most popular among these higher-income pet owners.

Pet products with the best prospects for increasing sales to Hong Kong include pet foods for dogs and cats, both standard and premium grade (formulated for healthy skin, hair and of low fat content); pet care and health products such as shampoos; flea control products; transporters for dogs and cats; fanciful dog collars; dog treats; disinfectant products for pets; and vitamins.

Pet breeders and retail outlets (pet shops and supermarkets) purchase their products through local agents and distributors. U.S. suppliers interested in selling their products to Hong Kong should

consider appointing a local distributor or agent. Many Hong Kong distributors also distribute their products in China's expanding market.

Year	2001	2002	2003
Total Market Size	23	27	32
Total Local Production	0	0	0
Total Exports	8	5	5
Total Imports	31	32	37
Total Imports from the U.S.	12	15	17

All figures are in US\$ million. The above statistics are unofficial estimates.

6. Automotive Parts and Accessories (APS)

Hong Kong's automotive parts and accessories imports in 2002 approached US\$2 billion, a 10 percent increase over 2001. Although the U.S. had only 2 percent of the market share, Hong Kong's imports from the U.S. increased 35 percent from US\$34 million in 2001 to US\$46 million in 2002. Major U.S. parts and accessories included storage batteries, car radios, locks and electrical ignition parts.

Since Hong Kong does not have its own automobile industry, imported automotive parts are mainly for the local after-market and re-export markets of China and other parts of the world. The local after-market for U.S.-made parts remains small, as Japanese and European cars hold 65 percent and 35 percent market shares, respectively. Hong Kong, however, is an important trading hub for automotive parts into China, which does import U.S. vehicles. In 2002, over 30 percent of Hong Kong's total exports of automotive parts and accessories went into China, totaling approximately US\$523 million.

In 2002, China's vehicle sales rose to 3.2 million units, a 35-45 percent increase over the previous year. With China's continued economic growth, continuing development of roads and expressways, a growing middle class, expected reforms in car-financing legislation, and diminishing tariff and non-tariff barriers, market analysts speculate the vehicle market will continue to grow 20-30 percent annually. As many Chinese automotive parts and components manufacturers are still not competitive in terms of quality and reliability, demand for overseas automotive parts and components will rise. Due to its geographical proximity to China and its experience in China trade, Hong Kong will continue to be an ideal place for U.S. exporters who would like to sell into China.

Year	2001	2002	2003
Total Market Size	607	628	680
Total Local Production	180	189	198
Total Exports	1,563	1,744	1,918
Total Imports	1,990	2,183	2,400

Total Imports from the U.S.	34	46	51
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The above statistics are unofficial estimates.

7. Electronic Parts and Components (ELC)

Hong Kong's electronic parts and components imports in 2002 reached US\$49 billion, a 16 percent increase over 2001. The value of U.S. electronic parts and components exports to Hong Kong was US\$3.5 billion, although the U.S. had only 7 percent of the market. Major U.S. exported electronic parts and components include integrated circuits, switches, diodes, transistors, semi-conductors, capacitors, printed circuits, and parts for computers and telecommunications equipment.

Hong Kong imports a wide range of electronic parts and components, particularly for computers, telecommunications equipment, telephone apparatus, toys, games, watches/clocks, and audio/visual equipment. China, Japan and Taiwan are the top 3 major electronic parts and components exporters, sharing 28 percent, 17 percent and 14 percent, respectively. Many Hong Kong manufacturers have switched to producing high-end electronic parts and components for commercial & industrial equipment. Local production in 2002 reached US\$6.5 billion. The growing popularity of the Internet, mobile-commerce, digitization as well as new developments and applications in multimedia will sustain near-term demand for parts and accessories for computers and telecommunications.

China's Five-Year Plan in developing the electronic information industry and its WTO membership will sustain continuous demand for electronic parts and components. The Five-Year-Plan aims to develop (1) local computer hardware including network equipment and products, digital products, peripherals, spare parts, information security products, and applications; (2) software; (3) integrated circuits; (4) communication equipment; and (5) digital visual products. U.S. companies should be aware of the latest developments in Hong Kong's technology and focus on Hong Kong and China's growing demand for high-technology electronics parts and components.

Hong Kong plays an important role in U.S. exports to China due to its geographical proximity to China and its experience in China trade. In 2002, 40 percent of Hong Kong's total exports of electronic parts and components went to China, totaling approximately US\$18 billion. As most Hong Kong manufacturers have relocated their production facilities to adjacent southern China to maintain cost competitiveness, Hong Kong re-exported a substantial amount of imported electronic parts and components such as integrated circuits (ICs) and micro-assemblies to China for further production.

Year	2001	2002	2003
Total Market Size	8,248	9,576	10,534
Total Local Production	5,900	6,500	7,150
Total Exports	40,487	46,517	51,168
Total Imports	42,835	49,593	54,552
Total Imports from the U.S.	3,728	3,536	3,889

The above statistics are unofficial estimates.

8. Telecommunications Equipment and Services (TEL, TES)

The HKG has fully liberalized its telecommunications market in 2003 as outlined in its 1998 Review of Fixed Telecommunications and Television Policy report. This full liberalization will create significant opportunities for U.S. companies to provide telecommunications services in Hong Kong.

A number of significant developments in Hong Kong's telecommunications market took place in 2002 and the first quarter of 2003. From January 2003, the local and external Fixed Telecommunications Network Services (FTNS) markets will be fully liberalized and there will be no pre-set limit to the number of licenses for the operation of local wireline-based fixed networks. There will be no rollout or capital expenditure commitments required from licensees of local wireline based fixed networks and/or external facilities that are licensed to operate from January 2003. The HKG will not consider granting any fixed carrier licenses to operate local wireline based fixed networks to those applicants who intend to rely primarily on the interconnection with, and access to, the infrastructure of other operators or fixed carrier licensees to rollout their network or to provide their services. In addition, new licensed local wireline-based fixed network operators will, on a case-by-case basis and subject to certain conditions, obtain rights for access to buildings and road opening. These developments provide U.S. companies an open opportunity to enter Hong Kong's local and external FTNS markets.

There are currently nine wireline FTNS licenses (PCCW-HKT, New World Telephone Limited, Wharf T&T Limited, Hutchison Global Crossing Limited, Hong Kong Broadband Network Ltd., Eastar Technology Ltd., CM Tel. (HK) Ltd, TraxComm Ltd.), and Hong Kong Cable Television Limited, which is permitted to offer telecommunications services over its hybrid fiber coaxial cable network. Two wireless FTNS operators are: Winstar Wireless Hong Kong Limited (formerly known as PSI Net Wireless Hong Kong Limited) and Smartone Broadband Services Limited.

On the mobile telecommunications front, Office of the Telecommunications Authority (OFTA) granted four licenses for third generation (3G) mobile services in the last half of 2001 (Hong Kong CSL, Hutchison, SmartTone, Sunday). OFTA awarded the new licenses based on a pre-licensing screening followed by a royalty-based spectrum auction. This will also create additional demand for network hardware and software, support services and consulting, and content services for U.S. companies.

In March 2003, the market penetration of mobile phones in Hong Kong was estimated to be over 94 percent, one of the highest in the world. Currently there are six companies operating 11 networks. Many companies have already introduced data services such as Wireless Application Protocol (WAP) and many have plans to introduce more advanced data services, such as GPRS, to their networks by the end of this year.

Both fixed and mobile telecommunications operators have made significant commitments to build out their network and provide new services, such as value-added and data services to attract and retain customers. This presents opportunities for U.S. companies that have experience with deploying new technologies and innovative services, such as electronic commerce, interactive broadcasting services, telemedicine, broadband data delivery, and long distance education, that can help the carriers differentiate themselves in this intensely competitive market. With increasingly

complex and diversified networks, there will also be a constant demand for telecommunications integration, network management, and consulting services. In addition, there are significant opportunities to partner with the operators to provide telecommunications services in Hong Kong and the region. These developments in the market and technology provide significant opportunities for U.S. companies to bring their telecommunications services to Hong Kong.

Hong Kong's telecommunications industry is facing one of its biggest transformations in history. The government is determined to make Hong Kong a regional leader in the information technology field. Full liberalization of Hong Kong's telecom market, robust growth in China's telecommunications market, as well as CEPA (Closer Economic Partnership Agreement) which was signed in June 29, 2003, augur well for the industry. Hong Kong's telecom industry has started to rebound and has made Hong Kong increasingly important as a sourcing center for telecommunications equipment used in China. Sales of telecommunications equipment for 2002 in Hong Kong constitute a market valued at an estimated US\$16.8 billion. The United States is the seventh largest supplier, supplying approximately three percent of Hong Kong's imports, following China, Japan, Korea, Taiwan, Singapore and Malaysia. It should be noted that these statistics do not capture U.S. exports of telecom networking equipment such as co-axial cables, optic fiber cables and switches, and understate the Hong Kong's telecom market for U.S. products.

Year	2001	2002	2003 (estimated)	2004 (estimated)
Total Market Size	13,389	14,779	15,381	16,919
Total Local Production	11	11	10	10
Total Exports	1,705	2,085	2,294	2,523
Total Imports	15,083	16,853	17,665	19,432
Total Imports from the U.S.	607	441	464	510

All figures are in US\$ million. The above statistics are unofficial estimates.

9. Laboratory and Scientific Instruments (LAB)

Hong Kong relies on imported analytical instruments to sustain growth of its industrial testing and inspection industry, which is crucial to biotech, Chinese medicine, environmental technology, textile, industrial machinery, toy and consumer electronic industries. The United States is a leading supplier of these instruments. In 2002, Hong Kong imports of laboratory and scientific instruments totaled US\$1,451 million. The major players in the high-end product segment are the United States, Japan, Germany and the United Kingdom, while Taiwan and China share the low-end product market. Traditionally, European instruments enjoyed an advantage over other competitors because Hong Kong used to conform to British Standards. The situation, however, has been changing since the 1997 transition. Hong Kong is gradually recognizing other international standards, thereby creating more opportunities for U.S. suppliers.

To support R&D in Hong Kong's industries, the Hong Kong Government set up the Innovative & Technology Fund in mid 1999 with an initial injection of more than US\$645 million. For the two-and-a-half year following its establishment, the Fund has spent US\$68 million to support 236

projects. The electronics, biotechnology, Chinese medicine, and other industries using high valued-added manufacturing technology benefit the most from the fund.

In addition, the Hong Kong Government also established the Science & Technology Parks Corporation (Science Park) in May 2001 to offer one-stop infrastructural support to technology-based companies and applied R&D activities. Moreover, the Hong Kong Jockey Club Charities Trust has donated US\$65 million to support research on Chinese Medicine. These initiatives will boost demand for various types of sophisticated analytical instruments.

Owing to the rapid rate of industrialization of China and the vast number of Hong Kong firms establishing their production facilities in southern China, many Hong Kong testing laboratories have established sub-offices in China that will require advanced testing instruments for their cross-border operations.

Year	2001	2002	2003
Total Market Size	374	155	170
Total Local Production	280	285	290
Total Exports	1,448	1,581	1,600
Total Imports	1,542	1,451	1,480
Total Imports from the U.S.	428	335	360

All figures are in US\$ million. The above statistics are unofficial estimates.

10. **Drugs/Pharmaceuticals (DRG)**

Imports supply 80 percent of Hong Kong's drug market. Major suppliers include the U.K., Japan, Germany, China, and the U.S.

U.S. pharmaceuticals enjoy an excellent reputation in Hong Kong. Hong Kong's imports of U.S.-made pharmaceuticals reached only US\$52 million in 2002, but did not include many U.S. pharmaceutical products produced in, and imported from, other countries in the region. Hong Kong consumers generally consider U.S. pharmaceuticals to be effective and safe, knowing that the U.S. Government exerts strict oversight over pharmaceutical manufacturing. U.S. Food & Drug Administration (FDA) Certification is well recognized by the Pharmacy and Poisons Board of Hong Kong's Department of Health, which is responsible for registering pharmaceuticals in Hong Kong. Only local companies registered with the Department are permitted to import drugs into the territory.

Hospital Authority (HA) is responsible for the management and control of all public hospitals, and is the biggest end user in Hong Kong. Drugs are a major expense for HA. It spent US\$231 million on drugs during fiscal 2002/2003. Expenditures for the new fiscal year are likely to increase – especially because of the SARS outbreak in late March, 2003. In addition, the Hong Kong Government has granted US\$168 million to improve infectious disease surveillance and to strengthen medical research and treatment options. The Hong Kong Jockey Club Charity Foundation has pledged US\$64 million and the Government will also earmark US\$64 to establish a Disease Control Center to assist medical research on infectious diseases. This provides a great opportunity for U.S. exports of pharmaceutical products to Hong Kong.

The China market has tremendous potential for pharmaceutical products, due to its large population and growing purchasing power. In 2002, Hong Kong exports of pharmaceutical products reached US\$640 million, mainly to China. As China's economy becomes more affluent, more people can afford top-end, Western-style medical care. In addition, the average age of the population continues to increase, creating demand for innovative medical and health care products and services from Western countries. China's accession to World Trade Organization is also decreasing tariff and non-tariff barriers in this sector.

Year	2001	2002	2003 (est)
Total Market Size	276	315	338
Total Local Production	129	129	131
Total Exports	735	640	685
Total Imports	882	826	892
Total Imports from the U.S.	62	52	55

All figures are in US\$ million. The above statistics are unofficial estimates.

11. Plastic Materials and Resins (PMR)

Hong Kong's plastic raw materials companies mainly trade plastic resins and resin compounds. The majority of local plastic raw materials manufacturers only engage in processing and compounding. They are usually small establishments that convert plastic resins into resin compounds by coloring and plasticizing. Domestic production supplies only 20 percent of local demand. Total imports of plastic materials in 2002 were US\$6.3 billion, a 12 percent increase from 2001. The industry experts are anticipating an additional 13 percent growth in 2003. The major suppliers of plastic resins are Taiwan, Japan, South Korea and the U.S.

As Hong Kong is a major world supplier of toys, shoes, packaging, housewares, fiber optic cables and casings of electronic consumer goods (even though most Hong Kong firms have set up offshore manufacturing operation in southern China), and the demand for resins will continue to be substantial. The plastics industry in Hong Kong will continue to grow, led by China's rapid development of the automotive, telecommunication, medical, packaging, and consumers goods industries and its accession to WTO. According to the Hong Kong Plastic Material Suppliers Association, China's auto industry urgently requires large quantities of plastics products. The demand for engineering plastics and specialized plastics should increase substantially due to the rapid development of China's automotive sector, for both parts and after-market parts. Compared with other major plastic raw materials suppliers, the U.S. has a competitive edge in engineering resins. According to the China Auto News, industry experts forecast that China's auto industry will require 49,700 tons of plastics by 2005. Most plastics users in China rely on imports, since the domestic chemical industry does not have sufficient capability to meet the increasing demand.

The most effective approach for exporting plastic resins to Hong Kong and through Hong Kong into China is to appoint a distributor to perform marketing and distribution functions. Hong Kong has approximately 500 resin distributors (mainly re-exporters shipping to China).

Year	2001	2002	2003 (est)
Total Market Size	1,134	1,145	1,349
Total Local Production	483	359	351
Total Exports	4,961	5,510	6,116
Total Imports	5,612	6,296	7,114
Total Imports from the U.S.	633	645	680

All figures are in US\$ million. The above statistics are unofficial estimates.

12. Sports Equipment (SPT)

The Hong Kong sports equipment market was worth US\$376 million in 2002, with about 80 percent comprising imports. Imported sports equipment from the U.S. in 2002 was US\$61 million. Major U.S. products were golf and gym equipment, scuba equipment, canoes, bicycles, tenpin bowling balls, wakeboards, skateboards and pellets and paintball shooting ammunition. The best sales prospects for the next few years are golf equipment, bicycles, fitness and gym equipment.

Golf continues to boom in Hong Kong as young Chinese “yuppies” are increasingly participating in what they perceive to be a sophisticated sport. More are joining golf clubs in Southern China. There are an estimated 100,000 golfers in Hong Kong. Local health authorities are advising outdoors exercise as one way to combat the chances of catching SARS. Sports activities that do not require investment or minimal investment in sports equipment such as fitness and weight training, kick-box, and yoga will become increasingly popular. Industry sources feel that there is room for more fitness centers and the prospects for U.S. companies to supply gym and fitness equipment, including those for home-use, remains bright.

According to sports retailers, higher-end Hong Kong sports participants choose equipment for performance, quality, and durability rather than price. U.S. brands rank highly among these high-end sports participants, who trust the quality and performance of U.S. brands and consider them well-designed. They would continue to buy U.S. brands even if some of the equipment is not 100 percent U.S. origin. For lower-spending sports participants, price would determine the brand they would buy. Products from China, Taiwan, or Korea dominate this market sector.

Year	2001	2002	2003
Total Market Size	390	376	356
Total Local Production	12	10	8
Total Exports	686	694	659
Total Imports	1,064	1,060	1,007
Total Imports from the U.S.	54	61	64

All figures are in US\$ million. The above statistics are unofficial estimates.

13. The Hong Kong Venture Capital Market (FNS, INV)

Hong Kong is the largest venture capital center in Asia, managing 30 percent of the total capital pool in the region. Total funds under management by Hong Kong venture capital firms has remained steady, at around US\$25 billion in 2002. Over the past three years, Hong Kong venture capital firms have seen the market transformed. The technology boom of 1999 and early 2000 fueled a surge in venture capital fund raising, as well as providing attractive returns on existing investments. Since then, market activity has fallen off considerably, reinforced by gloomy results from the technology sector, the global recession and the events of Sept. 11, 2001.

Despite the unfavorable recent investment climate, industry players generally remain bullish about the outlook for the Hong Kong venture capital industry in 2003 and beyond. The relative strength of the mainland China market is a major contributing factor. Given that the mainland's capital market remains relatively undeveloped, most venture funds have their exit strategies outside China, mainly through Hong Kong's main board and Growth Enterprise Market, as well as U.S.'s Nasdaq.

The relatively underdeveloped mainland China's capital market, coupled with distressed assets opportunities strewn across Asia as well as the rapid development of technology projects and industrial sectors in China, bode well for U.S. venture capital funds over the next five years.

The U.S. share of Hong Kong's sources of funds increased from 65 percent of total venture capital pool in 2001 to 68 percent in 2002. U.S. sources of funds are projected to increase over the next five years. It should be noted that the United States has been Hong Kong's largest source of funds over the past few years. This substantial high level of investment serves to highlight Hong Kong's high receptivity to U.S. venture capital.

Sources of Hong Kong Venture Capital Funds

Year	2001	2002	2003 (est.)
U.S.	59% 14,200	65% 17,000	68% 17,000
Europe	12% 2,900	15% 3,900	18% 4,500
Asia	29% 7,000	20% 5,200	14% 3,500
Total	24,100	26,100	25,000

All figures are in US\$ million. The above statistics are unofficial estimates.

B. Best Prospects for Agricultural Products

Sector Description

- Poultry Meat
- Fresh Fruit
- Hides & Skins
- Red Meats

- Hardwood Lumber
- Processed Fruit & Vegetables
- Tree Nuts
- Cotton
- Fish & Seafood Products
- Ginseng Roots

Of all U.S. agricultural exports to Hong Kong, poultry meat, fresh fruit, hides & skins, red meats, and hardwood lumber are the leading items. Poultry meat once again topped the list of U.S. food exports to Hong Kong in 2002, reaching a value of US\$330 million. Chicken meat was the star performer as Hong Kong consumers continue to enjoy U.S. chicken wings, feet, franks and leg quarters. Hong Kong was the fourth largest market for U.S. fruit exports. U.S. fresh fruit exports to Hong Kong amounted to US\$233 million in 2002. Popular items include oranges, apples and grapes.

Hong Kong's agricultural import market continues to command the attention of producers, manufacturers, processors and exporters of U.S. agricultural products, due to several factors, including:

1. the absence of trade barriers on agricultural products other than alcoholic beverages and processed tobacco products,
2. a strategic location next to the potentially enormous mainland China market, frequently resulting in "unofficial" re-exports subject to low or no duties, and
3. a highly-developed marketing system and affluent consumers who demand high value imports. Per capita income (US\$24,000 in 2002) in Hong Kong is among the highest in Asia, with a significant portion of income spent on food.

Hong Kong has recently experienced relatively high unemployment of 8.3 percent (as of May, 2003). This high unemployment has affected consumers' eating and shopping habits. Whereas most people used to eat out frequently, more are now shopping for groceries and preparing more meals at home, or eating meals at low-end or fast food restaurants. Hong Kong's relatively sophisticated shoppers are buying an increasing percentage of their groceries in supermarkets, as opposed to traditional wet markets. Demand for grocery store products, meats, poultry, eggs and fresh fruit continues to be very strong.

CHAPTER 6 TRADE REGULATIONS, CUSTOMS AND STANDARDS**A. Trade Barriers, Including Tariffs, Non-Tariff Barriers and Import Taxes**

The Hong Kong Government levies no import tariffs. However, domestic consumption taxes (referred to as duties in Hong Kong) are imposed on certain goods, such as tobacco (including cigarettes), alcoholic beverages, methyl alcohol and some fuels. These taxes are levied equally on local manufactures and imports. In addition, a steep tax, called a "First Registration Tax," which ranges from 35-100 percent of the price, is levied on new car purchases.

Useful contact for inquiring about specific products:

Customs and Excise Department
8/F, Harbour Building, 38 Pier Road
Central, Hong Kong
Tel: (852) 2852-3324
Fax: (852) 2542-3334 (Dutiable Commodities Division)
Web site: www.info.gov.hk/customs

B. Customs Valuation

Customs valuation is only an issue for the taxable items listed above. The tax on tobacco is by quantity, HK\$804 for each 1,000 cigarettes, and HK\$1,035/kg for cigars. The tax on distilled spirits is 100 percent, wine 80 percent, and beer 40 percent. The tax on petroleum products is by both volume and value. The value is based on the bill of lading as long as it represents a reasonable market value. The tax on automobiles is based on both retail price and engine size.

For more information about Hong Kong customs regulations, please check the Hong Kong Customs Department's web site at <http://www.info.gov.hk/customs>.

Hong Kong Customs:
Customs and Excise Department
8/F, Harbour Building
38 Pier Road
Central, Hong Kong
Tel: (852) 2852-3185
Fax: (852) 2542-3334

U.S. Customs maintains an office in Hong Kong. They can be contacted at:

U.S. Customs Service
American Consulate General
26 Garden Road
Central, Hong Kong
Tel: (852) 2524-1136
Fax: (852) 2810-6550

C. Import Licenses

Textiles are subject to import and export licensing because of Hong Kong's obligations under agreements with the United States and other countries. Importers of rice and frozen meat must

obtain an importer's license before they can import these commodities. Frozen/chilled meat imports must be accompanied by appropriate health certificates issued by a recognized authority of the country of origin. Plant and animal imports must be accompanied by appropriate health certificates. Hong Kong imposes quarantine requirements for certain pets and breeding swine depending on country of origin. The Agriculture Fisheries and Conservation Department's Livestock Division contact is Tel: (852) 2150-7070 and Fax: (852) 2375-3563.

D. Export Controls

The Hong Kong Government imposes restrictions on the import and export of high-technology products, mirroring the control lists of the multilateral export control regimes (Wassenaar, MTCR, Australia Group). This includes restrictions on unlicensed re-exports to the People's Republic of China. Textiles are subject to import and export licensing because of Hong Kong's obligations under agreements with the United States and other countries.

Hong Kong's export control system has not changed as a result of Hong Kong's July 1, 1997 reversion to Chinese sovereignty. Additionally, Hong Kong's status with regard to access to controlled U.S. technologies has not been altered as a result of reversion.

E. Import/Export Documentation

U.S. standard trade documentation is acceptable.

F. Temporary Entry

There are no problems for most products which are not subject to any Hong Kong duties or taxes. For alcohol, cigarettes and fuel, companies must fill out a duty waiver form which can be obtained from Hong Kong Customs at the address above.

G. Labeling, Marking Requirements

Non-tariff barriers such as labeling requirements, standards, etc. are minimal.

H. Prohibited Imports

The import of munitions, firearms and fireworks is strictly forbidden.

I. Standards

Few product safety standards are required for the domestic Hong Kong market. What few there are relate to fire control (gas and electricity) in the city's high rise buildings. Other standards of quality and safety control imposed on domestic manufacturers are for goods made for export or re-export outside Hong Kong. Currently, building materials and electrical/mechanical supplies have to meet British standards. However, Hong Kong is gradually recognizing other standards so U.S. companies seeking to export to Hong Kong should check with potential agents and customers to determine exact standards required.

Another guideline to use regarding quality control is the "ISO 9000" series, published by the International Organization for Standardization (ISO). These standards, now in the process of being adopted in Hong Kong via the Hong Kong Quality Assurance Agency, provide a framework for all types of manufacturing industries. The Hong Kong Housing Authority has also

adopted ISO 9000 for all of its consultants/contractors, and the Works Branch has extended ISO 9000 to engineering and architectural consultants as of April 1, 1996. The Airport Authority also requires suppliers and contractors to conform to ISO 9000. As of June, 2003, 17 government departments have been certified with a total of 47 ISO 9000 certificates issued.

J. Free Trade Zones/Warehouses

There are no special zones since the whole territory is basically a free trade zone.

K. Special Import Provisions

None

L. Membership in Free Trade Arrangements: WTO and CEPA

Hong Kong is a founding member of the World Trade Organization (WTO) as well as a member of APEC.

With China's accession to the WTO, Hong Kong is well positioned to play a key role for U.S. firms wishing to expand exports to one of the world's fastest-growing markets. Hong Kong is a trading hub for China and the region: its trading firms are experts at promoting U.S. products and services in China. Similarities in linguistic and cultural traditions have enabled Hong Kong traders to maximize opportunities for U.S. firms, and in particular for small and medium-sized enterprises and first-time exporters.

The Closer Economic Partnership Arrangement (CEPA), a free-trade agreement between China and Hong Kong that was signed on June 29, 2003, will further strengthen Hong Kong's position as the leading gateway to the China market. When CEPA takes effect on January 1, 2004, it will eliminate Chinese tariffs on 273 Hong Kong exports, including pharmaceuticals, jewelry, cosmetics, watches and clocks, electrical and electronic products, textiles and apparel, plastic and paper articles, and metal products. The rules of origin for determining which goods are "made in Hong Kong" have yet to be finalized. CEPA will also provide to Hong Kong companies accelerated or expanded access to 17 different Chinese service sectors, including management consulting, convention services, advertising, accounting, real estate and construction, medical and dental services, freight forwarding, logistics, storage and warehousing, audio-visual services, transport services, banking, securities, legal services, tourism, insurance, and distribution. Hong Kong companies include subsidiaries of foreign companies that are incorporated in Hong Kong, have been engaged in substantial business operation here for more than three years, and employ at least half their staff in Hong Kong.

CHAPTER 7 INVESTMENT CLIMATE STATEMENT**HONG KONG****A. Openness to Foreign Investment**

Hong Kong pursues a free market philosophy, and there is minimum government interference in the economy. The government welcomes foreign investment. It offers no special incentives nor does it impose disincentives for foreign investors. Hong Kong's well-established rule of law is applied consistently and without discrimination. There is no distinction in law or practice between investments by foreign-controlled companies and those controlled by local interests. Hong Kong is a member of the World Trade Organization in its own right and a separate customs territory. Hong Kong is a duty free port, except for a small number of tariffs on products such as cigarettes and alcohol. There are no quotas or dumping laws.

Foreign firms and individuals are allowed freely to incorporate their operations in Hong Kong, to register branches of foreign operations, and to set up representative offices without discrimination or undue regulation. There is no restriction on the ownership of such operations. Company directors are not required to be citizens of, or resident in Hong Kong. Reporting requirements are straightforward and not onerous.

Hong Kong's extensive body of commercial and company law generally follows that of the United Kingdom, including the common law and rules of equity. Most statutory law is made locally. The local court system provides for effective enforcement of contracts, dispute settlement and protection of rights. Formalities are minimal for company incorporation and business registration. Foreign and domestic companies register under the same rules and are subject to the same set of business regulations. The Hong Kong Government's Invest Hong Kong encourages inward investment as a means of introducing new or improved products, processes, designs and management techniques. U.S. and other foreign firms can participate in government financed and subsidized research and development programs on a national treatment basis.

There is no capital gains tax, nor are there withholding taxes on dividends and royalties. Profits can be freely converted and remitted. Foreign-owned and domestically owned firms are taxed at the same rate, 17.5 percent of profits. There are no preferential or discriminatory export and import policies that affect foreign investors. There are no direct subsidies to domestic industries. In recent years, the government became somewhat more proactive in support of high technology development. This included efforts to encourage applied research and development in the industrial park-like "Cyberport" and "Science Park" projects. With government support, these two projects, which were open to foreign and domestic companies on an equal basis, were intended to offer lower than market prices for office rental space.

There are no disincentives to foreign investment such as quotas, bonds, deposits, or other similar regulations. The Hong Kong Code on Takeovers and Mergers (1981) sets out general principles for acceptable standards of commercial behavior.

According to Hong Kong government statistics, there were 3,119 regional operations of overseas companies in Hong Kong in 2002. The government defines regional operations as: regional headquarters which control the operation of other branches in the region without frequent referrals to the parent company outside Hong Kong; and regional offices as offices which

coordinate operations elsewhere in the region with frequent referrals to the parent company outside Hong Kong or a regional headquarters. The U.S. has the largest number of regional headquarters and offices in Hong Kong (670 companies), followed by Japan (630 companies) and China (266 companies). The major lines of business of the regional headquarters included wholesale/retail, import/export, finance and banking, manufacturing, and transport and related services.

The Hong Kong Government owns all land, granting long-term leases without transferring title. Local and foreign leaseholders are treated equally. The government plays a significant role in the housing market: about 50 percent of homes in Hong Kong are rented from the government or purchased with government assistance at below market rates.

With few exceptions, the Hong Kong Government does not attempt to limit the activities of foreign investors either in specified projects or sectors. Foreign investment in Hong Kong flows freely into the industrial sector as well as into services, franchises, restaurants, the entertainment industry, and the ownership of property, both residential and commercial. The telecommunications services market has been fully liberalized since January 1, 2003.

The exceptions to the Hong Kong government's open foreign investment policy are:

- i) Broadcasting - Voting control of free-to-air television stations by non-residents is limited to 49 percent. There are also residency requirements for the directors of broadcasting companies.
- ii) Legal Services - Foreign lawyers are able to practice foreign and international law in Hong Kong. Foreign lawyers can apply to take the Hong Kong Bar Examination and, if successful, practice Hong Kong law. Foreign law firms may not hire local lawyers to advise on Hong Kong law, but may themselves become "local" firms after satisfying certain residency and other requirements. They may thereafter hire local attorneys, but must do so on a 1:1 basis with the foreign lawyers. They also can form associations with local law firms.

B. Conversion and Transfer Policies

There are no restrictions on conversion and inward or outward transfer of funds for any purpose. The HK dollar is a freely convertible currency that, since late 1983, has been linked to the U.S. dollar at an exchange rate of HK\$7.8 = US\$1. Government authorities are committed to exchange rate stability through maintenance of the linked rate. There is no allocation of foreign exchange.

C. Expropriation and Compensation

The U.S. Consulate General is not aware of any expropriation actions in the recent past. However, expropriation of private property may occur if it is clearly in the public interest, but only for well-defined purposes such as implementation of public works projects. If this is the case, expropriations are to be conducted through negotiations, in a non-discriminatory manner in accordance with established principles of international law. Due process and transparency are to be observed. Investors in and lenders to expropriated entities are to receive prompt, adequate, and effective compensation. Property may be acquired under the State Land Resumption Ordinance, the Land Acquisition Ordinance, the Mass Transit Railway (Land Resumption and Related Provisions) Ordinance or the Roads Ordinance. These ordinances provide for payment of compensation. If agreement cannot be reached on the amount payable, either party can refer the claim to the Land Tribunal.

D. Dispute Settlement

The U.S. Consulate General is not aware of any investor-state disputes in recent years involving U.S. or other foreign investors or contractors and the Hong Kong Government. The Hong Kong Department of Justice is also not aware of any such disputes. Private investment disputes are normally handled in the courts or via private negotiation. Alternatively, disputes may be referred to the Hong Kong International Arbitration Center.

The Hong Kong Government accepts international arbitration of investment disputes between itself and investors. Following reversion to Chinese sovereignty on July 1, 1997, Hong Kong applies provisions of the International Center for the Settlement of Investment Disputes (ICSID), known as the Washington Convention, and the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards. Hong Kong has also adopted the United Nations Commission on International Trade Law (UNCITRAL) model law for international commercial arbitration.

Hong Kong and China signed a Memorandum of Understanding (MoU) in June 1999 on an arrangement parallel to the New York Convention for the reciprocal enforcement of arbitral awards, since the New York Convention, being an international agreement, is no longer applicable to the enforcement of arbitral awards between Hong Kong and China.

Hong Kong's legal system is firmly based on the rule of law and the independence of the judiciary. Courts of justice in Hong Kong include the Court of Final Appeal, the High Court (composed of the Court of Appeal and the Court of First Instance), the District Court, the Magistrate's Courts, the Coroner's Court, and the Juvenile Court. There are also a Lands Tribunal, Labor Tribunal, and other statutory tribunals.

E. Performance Requirements/Incentives

Consistent with its non-interventionist economic philosophy, Hong Kong imposes no export performance or local content requirements as a condition for establishing, maintaining or expanding a foreign investment. Hong Kong offers no special privileges to attract foreign investment. There are no requirements that Hong Kong residents own shares, that foreign equity be reduced over time, or that technology be transferred on certain terms.

All of Hong Kong is a duty-free zone. Subject to non-discriminatory application of excise taxes and restricted entry in some sectors, as noted above, local and foreign firms are free to take advantage of investment opportunities as they arise.

F. Right to Private Ownership and Establishment

Hong Kong law and regulations provide for the right of foreign and domestic private entities to establish, own and to dispose of interests of business enterprises. Foreign investors are allowed, except for the sectors noted above, to engage in all lawful forms of remunerative activity. The Hong Kong government does not generally engage directly in business activity via public enterprises. Business privileges, franchises and land development rights are granted on the basis of competitive equality.

G. Protection of Property Rights

Hong Kong's commercial and company laws provide for effective enforcement of contracts and protection of corporate rights. Hong Kong has filed its notice of compliance with the trade-

related intellectual property requirements of the World Trade Organization. The Intellectual Property Department, which includes the Trademarks and Patents Registries, is the focal point for the development of Hong Kong's intellectual property regime. The Customs and Excise Department is the principal enforcement agency for intellectual property rights (IPR). Hong Kong has acceded to the Paris Convention for the Protection of Industrial Property, the Berne Convention for the Protection of Literary and Artistic Works, and the Geneva and Paris Universal Copyright Conventions. Hong Kong also continues to participate in the World Intellectual Property Organization, as part of China's delegation.

The Hong Kong government devotes significant attention to IPR enforcement. Implementation of laws passed in recent years, including aggressive raids at the retail level, has significantly reduced illegal production and retail sales of copyrighted products. The Hong Kong courts have imposed longer jail terms for violations of Hong Kong's copyright ordinance. The Hong Kong government has conducted public education efforts to encourage respect for intellectual property rights. Nevertheless, pirated products remain available at the retail level throughout Hong Kong. Hong Kong's recent efforts to increase liaison with mainland copyright licensing officials should help in the protection of IPR in Hong Kong.

The Government continues to refine its IPR law. In July 2003 the Legislative Council passed an IPR bill that liberalized the parallel importation of computer software. A second bill that is under consideration would make permanent criminalization of infringing copies of computer programs, movies, television dramas, and musical recordings. It would also tighten the criminal sanction against illicit copy-shops. Some provisions in the draft bill, however, would provide exemptions from criminal liability for copyright piracy under certain conditions. The Hong Kong Government continues to engage with industry on the specifics of the draft bill.

The Copyright Ordinance protects any original copyright work created or published by any person anywhere in the world. It provides for rental rights for sound recordings and computer programs but not films. It provides for enhanced penalty provisions against copyright piracy and additional legal tools to facilitate enforcement. It decriminalizes parallel imports of copyrighted products one year after their release anywhere in the world, but maintains civil penalties.

The Patent Ordinance allows for granting of an independent patent in Hong Kong based on the patents granted by the UK and the Chinese Patent Offices. The patent granted in Hong Kong is independent and capable of being tested for validity, rectified, amended, revoked and enforced in Hong Kong courts.

The Registered Design Ordinance is modeled on the EU design registration system, with certain modifications. To be registered, a design must be new. The system requires no substantive examination. Protection is for an initial period of five years, and may be extended for four periods of five years each, up to a maximum of 25 years.

Hong Kong's trademark law is TRIPS-compatible and allows for registration of trademarks relating to services. All trademark registrations originally filed in Hong Kong are valid for seven years and renewable for 14-year periods. Proprietors of trademarks registered elsewhere must apply anew and satisfy all requirements of Hong Kong law. When evidence of use is required, such use must have been in Hong Kong.

Hong Kong has no specific ordinance to cover trade secrets. Under the Trade Description Ordinance, however, the government has the duty to protect information being disclosed to other parties. The Trade Description Ordinance prohibits false trade descriptions, forged trademarks and misstatements in respect of goods supplied in the course of trade.

H. Transparency of the Regulatory System

Hong Kong's body of law and regulation recognizes the value of competition in economic endeavor. Tax, labor, health and safety and other laws and policies avoid distortions or impediments to the efficient mobilization and allocation of investment. Bureaucratic procedures and "red tape" are held to a minimum and are equally transparent to local and foreign investors. Hong Kong does not have an anti-trust law. The Hong Kong government does not support competition legislation. It states that an all-embracing law would not be able to take into account the specific requirements of individual sectors. Instead of a Competition Authority, the government has established a Competition Policy Advisory Group (COMPAG), chaired by the Financial Secretary, to review competition issues that have substantial policy or systemic implications. Certain sectors of the economy are dominated by monopolies or cartels, not all of which are regulated by the Hong Kong government. These entities do not discriminate against U.S. goods or services, but they can use their market position to block effective competition.

I. Efficient Capital Markets and Portfolio Investment

There are no impediments to the free flow of financial resources. Non-interventionist economic policies, complete freedom of capital movement and a well-understood regulatory and legal environment have greatly facilitated Hong Kong's role as a regional and international financial center. Hong Kong's foreign exchange markets handled an average daily turnover of US\$66.8 billion in 2001, making it the seventh largest in the world and the third largest in Asia.

Hong Kong has a three-tier system of deposit-taking institutions: licensed banks, restricted license banks, and deposit-taking companies. Only licensed banks can offer current (checking) or savings accounts. At the end of 2002, Hong Kong had 133 licensed banks, 46 restricted licensed banks, 45 deposit-taking institutions, and 94 representative offices. The Hong Kong & Shanghai Banking Corporation (HSBC) is Hong Kong's largest banking group. With its majority-owned subsidiary Hang Seng Bank, and 262 branches, the group controls more than 39 percent of Hong Kong dollar deposits. The Bank of China (Hong Kong) is the second-largest banking group (249 branches), and controls 18 percent of Hong Kong dollar deposits. Twenty-nine American "authorized financial institutions" operate in Hong Kong. U.S. banks licensed in Hong Kong are listed in Chapter 11 Section F below. Most banks in Hong Kong maintain U.S. correspondent relationships.

Hong Kong's five largest banks, in terms of total assets (2002), are as follows:

Rank	Institution	Total Assets (US\$ Billion)
1	Hong Kong & Shanghai Banking Corporation (HSBC)	239.5
2	Bank of China (Hong Kong)	94.3
3	Hang Seng Bank Ltd.	60.8
4	Standard Chartered Bank, Hong Kong Branch	36.5
5	Bank of East Asia, Ltd.	23.7

Sources: Companies' annual reports

Credit in Hong Kong is allocated strictly on market terms and is available to foreign investors on a non-discriminatory basis. The private sector has access to the full spectrum of credit

instruments as provided by Hong Kong's banking and financial system. Legal, regulatory, and accounting systems are transparent and consistent with international norms. The Hong Kong Monetary Authority (HKMA) functions as a de facto central bank. It is responsible for maintaining the stability of the banking system and managing the Exchange Fund backing Hong Kong's currency. The HKMA, with the assistance of the banking sector, has upgraded Hong Kong's financial market infrastructure. Real Time Gross Settlement helps minimize risks in the payment system and brings Hong Kong in line with international standards. The Hong Kong Mortgage Corporation (HKMC) promotes the development of the secondary mortgage market in Hong Kong. The HKMC is 100 percent owned by the government through the Exchange Fund. The HKMC purchases residential mortgage loans for its own retained portfolio and also repackages mortgages into mortgage-backed securities for sale. In 2002, the HKMC issued US\$2.2 billion worth of unsecured debt securities in the local debt market, raising the outstanding amount of debt securities to US\$3.7 billion.

The government is considering establishment of a Deposit Insurance Scheme (DIS) and introduced a draft DIS bill to the Legislative Council in April 2003.

Under the Insurance Companies Ordinance, insurance companies are authorized by the Insurance Authority to transact business in Hong Kong. Hong Kong has the highest number of authorized insurance companies in Asia. As of March 2003, there were 194 authorized companies. Of these, 99 were foreign companies from 25 countries. A number of the world's top insurance companies in terms of assets have branch offices or subsidiaries in Hong Kong.

With a total market capitalization of US\$463 billion and 978 listed firms at year-end 2002, Hong Kong's stock exchange ranked second in Asia after Tokyo, and tenth in the world in terms of capitalization. Hong Kong Exchanges and Clearing Limited (HKEx), a listed company, operates the stock and futures exchanges. The Securities and Futures Commission, an independent statutory body outside the civil service, has licensing and supervisory powers to ensure the integrity of markets and to protect investors.

In April 2003, the government implemented a major modernization of the legal framework for Hong Kong's securities market designed to upgrade transparency and corporate governance, boost regulators' enforcement powers, and improve investor protections. To enhance market competitiveness, HKEx in the same month removed the rule on minimum brokerage commission rates for stock and futures transactions.

There are no discriminatory legal constraints to foreign securities firms establishing in Hong Kong via branching, acquisition, or subsidiaries. In practice, foreign firms typically establish in Hong Kong as subsidiaries. Rules governing operations are the same, irrespective of ownership. Portfolio investment decisions are left to the private sector. There are no laws or regulations that specifically authorize private firms to adopt articles of incorporation/association that limit or prohibit foreign investment, participation, or control.

The stock exchange plays a significant role in raising capital for Chinese state-owned enterprises. Chinese state enterprises raise equity (through the issuance of so-called "H" shares) in Hong Kong provided they meet Hong Kong regulatory and accounting requirements. These "H" shares are denominated in Renminbi, but must be purchased in Hong Kong dollars. In 2002, a total of 54 Chinese enterprises had "H" share listings on the stock exchange, with market capitalization of US\$16.6 billion.

Hong Kong has made a concerted effort to develop a local debt market with the Exchange Fund bills and notes program. Maturities now extend to ten years. Hong Kong dollar debt (public and private) has increased gradually, from US\$3.46 billion at the end of 1989 to US\$68.3 billion by the end of 2002. Regional infrastructure financing requirements and increasing investor demand are projected to stimulate further development of the local debt market.

The Hong Kong government requires workers and employers to contribute to retirement funds under the Mandatory Provident Fund (MPF) scheme. Contributions are expected to channel US\$3-4 billion per year into various investment vehicles. By the end of 2002, the net asset values of MPF funds amounted to US\$7.1 billion.

The Exchange Fund Investment Limited (EFIL), established by the government to dispose of the stock portfolio it purchased during the Asian Financial Crisis, completed its operations in January 2003. EFIL disposed of the stocks in the form of a mutual fund, the Tracker Fund of Hong Kong (TraHK). The government decided to retain a portion of the stocks (worth about US\$410 million) as a long-term investment. The HKMA is responsible for the management of these stocks. TraHK is traded on the stock exchange.

J. Political Violence

Hong Kong is politically stable and secure. The U.S. Consulate General is not aware of any incidents involving politically motivated damage to projects or installations.

K. Corruption

Hong Kong has an excellent track record in combating corruption. Many governments study Hong Kong's anti-corruption practices each year. U.S. firms have not identified corruption as an obstacle to foreign direct investment. The well-known Independent Commission Against Corruption (ICAC) is responsible for combating corruption. The ICAC is independent of the public service and the ICAC Commissioner is responsible directly to the Chief Executive. A bribe to a foreign official is a criminal act, as is the giving or accepting of bribes, for both private individuals and government employees. Penalties are stiff. For example, a civil servant who solicits or accepts any advantage without special permission of the government can receive one year's imprisonment and a HK\$100,000 fine if convicted. Individuals in both the private and public sector can receive up to 7 years imprisonment and a HK\$500,000 fine for offering, soliciting or accepting a benefit for performance or non-performance of an official duty.

L. Bilateral Investment Agreements

Hong Kong is negotiating a series of bilateral investment agreements -- the Hong Kong Government calls them "Investment Promotion and Protection Agreements" -- with major foreign investors. To date, Hong Kong has signed agreements with Australia, Austria, Belgo-Luxembourg Economic Union, Denmark, France, Germany, Italy, Japan, Korea, the Netherlands, New Zealand, Sweden, Switzerland and the United Kingdom. The Hong Kong Government has initialed agreements with Canada and Vietnam. It is negotiating agreements with Singapore and Thailand. All such agreements are based on a model text approved by China through the Sino-British Joint Liaison Group. The United States and Hong Kong held talks on a bilateral investment agreement in the late 1990s, but certain differences could not be resolved and negotiations were suspended.

M. OPIC and Other Investment Insurance Programs

Overseas Private Investment Corporation (OPIC) coverage is not available in Hong Kong. Hong Kong is a member of the World Bank Group's Multilateral Investment Guarantee Agency (MIGA).

N. Labor

Until recent years, Hong Kong's unemployment rate hovered around two percent. Reflecting structural changes in the local economy and weak global economic conditions, the unemployment rate rose to a record level of 8.3 percent in May 2003. An employee retraining board provides skills retraining for local employees to cope with ongoing structural change in the economy.

To address a shortage of highly skilled technical and financial professionals, the government has made efforts to attract qualified foreign and mainland Chinese workers, though requirements for the latter group were tighter. However, effective from July 2003, conditions for admitting mainland Chinese for employment will be eased and aligned with those applicable to foreign nationals.

The average number of days lost due to industrial conflicts is one of the lowest in the world. In 2001, membership in Hong Kong's 610 registered unions totaled 671,076, a participation rate of about 22.1 percent. Hong Kong has implemented 40 conventions of the International Labor Organization in full and 18 others with modifications.

Local law provides for the right of association and the right of workers to establish and join organizations of their own choosing. The government does not discourage or impede the formation of unions. Workers who allege antiunion discrimination have the right to have their cases heard by the Labor Relations Tribunal. Although there is no legislative prohibition of strikes, in practice most workers must sign employment contracts that state that walking off the job is a breach of contract and can lead to summary dismissal. Collective bargaining is legal in Hong Kong, but there is no obligation on employers to engage in it. In practice, collective bargaining is not widely used. For more information on labor regulations in Hong Kong, please check the following website: www.justice.gov.hk/home.htm (click on Chapter 57 "Employment Ordinance").

O. Foreign Trade Zones/Free Ports

Hong Kong is a free port without foreign trade zones.

P. Foreign Direct Investment Statistics

Table 1: Position of Inward Foreign Direct Investment by Major Investor Country/Territory, as at end of 2001.

Country	U.S.\$ Billion	% Share of Total
China	122.8	43.1
Bermuda	27.1	9.5
Netherlands	25.6	9.0
United States	24.8	8.7
Japan	14.9	5.2
British Virgin Islands	13.7	4.8
Singapore	11.4	4.0
United Kingdom	5.8	2.0
Cayman Islands	5.8	2.0
Australia	4.1	1.4
Others	29.5	10.3
TOTAL	285.2	100.0

Source: Hong Kong Census and Statistics Department

Note 1: Excluding inward direct investment from offshore financial centers, which were originally from Hong Kong.

Note 2: US\$1 = HK\$7.8

Table 2: Position of Inward Foreign Direct Investment by Major Economic Activity, as at end of 2001.

	US\$ Billion	% Share of Total
Investment holdings, real estate and various business services	132.2	46.3
Banks and deposit-taking companies	45.2	15.8
Wholesale, retail and import/export trades	43.6	15.3
Financial institutions other than banks and deposit-taking companies	11.3	4.0
Communications	10.1	3.6
Transport and related services	7.6	2.7
Insurance	7.0	2.5
Manufacturing	6.7	2.3
Construction	3.6	1.3
Restaurants and hotels	3.1	1.1
Other activities	14.9	5.2
TOTAL	285.2	100.0

Source: Hong Kong Census and Statistics Department

Note: Excluding inward direct investment from offshore financial centers, which were originally from Hong Kong.

Table 3: Position of Outward Foreign Direct Investment by Major Resident Country/Territory, as at end of 2001.

Country	U.S.\$ Billion	% Share of Total
China	108.2	49.5
British Virgin Islands	73.7	33.7
Malaysia	3.7	1.7
United States	3.2	1.5
Singapore	3.1	1.4
United Kingdom	2.6	1.2
Thailand	2.6	1.2
Bermuda	1.6	0.8
Taiwan	1.5	0.7
Japan	1.5	0.7
Others	16.7	7.6
TOTAL	218.5	100.0

Source: Hong Kong Census and Statistics Department

Note: Excluding outward direct investment of offshore financial centers which were channeled back to Hong Kong.

Table 4: Position of Outward Foreign Direct Investment by Major Economic Activity, as at end of 2001.

	US\$ Billion	% Share of Total
Investment holdings, real estate and various business services	128.6	58.8
Wholesale, retail and import/export trades	24.7	11.3
Manufacturing	14.5	6.6
Communications	10.3	4.7
Transport and related services	6.3	2.9
Financial institutions other than banks and deposit-taking companies	5.8	2.7
Restaurant and hotels	4.8	2.2
Banks and deposit-taking companies	3.7	1.7
Insurance	2.4	1.1
Construction	1.0	0.5
Other activities	16.4	7.5
TOTAL	218.5	100.0

Source: Hong Kong Census and Statistics Department

Note: Excluding outward direct investment of offshore financial centers that were channeled back to Hong Kong.

Table 5: Amount and Growth of U.S. Investment in Hong Kong for 2000/2001/2002 in US\$ Millions.

Year	Amount	% Change
2000	27,447	20.6
2001	32,089	16.9
2002	35,764	11.5

Note 1: The U.S. Department of Commerce estimates the total U.S. direct investment position in Hong Kong at historical cost (the book value of U.S. direct investors' equity in, and net outstanding loans to, their foreign affiliates).

Note 2: U.S. Department of Commerce statistics differ from HKG statistics. Per Table 1 above, the latter indicates total U.S. investments of US\$24.8 billion at year-end 2001.

Note 3: Preliminary figures for 2002.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, U.S. Direct Investment Position Abroad on a Historical Cost Basis.

Table 6: Hong Kong's Pledged and Actual Direct Investment in China in US\$ Billions and Percent Share of Total Investment in China.

Year	Amount Pledged	Actually Invested	Share of Total Investment
1998	17.6	18.5	42.6
1999	13.3	16.4	40.6
2000	17.4	16.2	39.8
2001	20.7	16.7	35.7
2002	25.2	17.9	33.9
1978-2002	374.3	205.6	45.9

Source: PRC Ministry of Commerce.

Table 7: Major Foreign Investor Firms.

United States: American International Group, AT&T, Bank of America, Caltex, Citibank, Coca-Cola, Compaq Computer, CSX, Disney, Exxon, Federal Express, Goldman Sachs, IBM, JP Morgan Chase, Kodak, Merrill Lynch, Mobil, Morgan Stanley, Motorola, Pacific Waste Management, Pepsi.

Japan: C. Itoh, Citizen Watches, Daido Concrete, Hitachi, Jusco, Mitsubishi, NEC, Nishimatsu, Nomura, Olympus, Uny.

United Kingdom: HSBC, Inchcape Pacific, Jardine Matheson, Lloyds, P & O Shipping, Standard Chartered Bank, Swire Pacific Group.

West Europe: Carlsberg, Hong Kong Petrochemicals (Italian/Korean/Chinese joint venture), Siemens, Heraeus, Philips, Bouygues/Dragages, Bachy-Soletanches, Banque National de Paris, Banque Indosuez, Chanel, Cartier, Christian Dior, Remy, Ericsson, Asea Brown Boveri, Tetrapak, Electrolux.

China: Bank of China (Hong Kong), Beijing Enterprises, China Everbright, China Investment and Trust Corporation (CITIC), China Merchants, China Mobile, China National Offshore Oil Corporation (CNOOC), China National Petroleum Corporation, China Ocean Shipping Co (COSCO), China Overseas Construction, China Resources, China Travel Services, China Unicom, Guangdong Enterprises, Legend Holdings, Petro China, Shanghai Industrial, Yue Xiu Enterprises.

Asia: San Miguel Brewery, News Corp., Pioneer, Sime Darby, Shangri-la/Kerry Trading, Park View Properties, Lippo Group, C.P. Pokphand, LG, First Pacific Group.

MACAU

A. Openness to Foreign Investment

Macau became a Special Administrative Region (SAR) of the People's Republic of China on December 20, 1999. Macau's status since reverting to Chinese sovereignty is defined in the Sino-Portuguese Joint Declaration (1987) and the Basic Law, Macau's constitution. Under the concept of "One Country, Two Systems" articulated in these documents, Macau is promised a high degree of autonomy in economic matters and its economic system is to remain unchanged for 50 years. Since reversion, the Macau government has maintained a transparent, non-discriminatory and free market economy. Macau has separate membership in the World Trade Organization (WTO).

The government hopes to diversify Macau's economy by attracting foreign investment and is committed to maintaining an investor-friendly environment. The government is seeking to develop Macau into a commercial and trade service provider for China, particularly the West Guangdong region. It also aims to facilitate trade and economic cooperation between China and Portuguese-speaking countries. The awarding of two gaming concessions to consortia with U.S. interests is significantly boosting the U.S. business profile and investment in Macau.

Macau and the PRC have agreed to negotiate a Closer Economic Partnership Arrangement (CEPA). They hope to reach agreement by the end of 2003. Any agreement that they conclude will likely be similar to the CEPA between the Hong Kong SAR and the PRC signed on June 29, 2003. That is, it would provide for market opening in goods and services and measures on trade facilitation.

Macau is heavily dependent on the gaming sector and tourism industries. In addition, a single product category, textiles and apparel, accounts for approximately 84 percent of its exports.

Foreign firms and individuals are free to establish companies, branches and representative offices without discrimination or undue regulation in Macau. There are no restrictions on the ownership of such establishments. Company directors are not required to be citizens of, or resident in Macau.

The government is liberalizing the telecommunications sector under a law passed in August 2001. Macau has liberalized the mobile phone market and Internet services. It has issued three mobile telephone licenses to 2 foreign companies and one local firm.

Certain requirements are imposed on three professional services sectors as described below. Under Macau law (Decree Law 14/95/M, 22/96M and 22/97/M), qualified professionals and executives may apply for the right of temporary residency.

- i) Education - an individual applying to establish a school must have a Macau Certificate of Identity or have the right to reside in Macau. The principal of a school must be a Macau resident.
- ii) Newspapers and magazines - applicants must first apply for business registration and register with the Government Information Bureau as an organization or an individual. The publisher of a newspaper or magazine must be a Macau resident or have the right to reside in Macau.
- iii) Legal services - lawyers from foreign jurisdictions who seek to practice Macau law must first obtain residency in Macau. They also must pass an examination before they can register with the Lawyer's Association, a self-regulatory body. The examination is in either Chinese or Portuguese. After passing the examination, foreign lawyers are required to serve an 18 months internship before they are able to practice law in Macau.

B. Conversion and Transfer Policies

Profits and other funds associated with an investment, including investment capital, earnings, loan repayments, lease payments, and capital gains, can be freely converted and remitted. The domestic currency, Macau Official Pataca (MOP), is pegged to the Hong Kong dollar at 1.03 and indirectly to the U.S. dollar at an exchange rate of approximately MOP8 = US\$1. The Monetary Authority of Macau, the de facto central bank, is committed to exchange rate stability through maintenance of the peg to the Hong Kong dollar.

Although Macau imposes no restrictions either on capital flows or foreign exchange operations, exporters are required to convert 40 percent of foreign currency earnings into MOP. This legal requirement is not applied to tourism services.

C. Expropriation and Compensation

The U.S. Consulate General is not aware of any expropriation actions. Expropriation of property may occur if it is in the public interest. In such cases, the SAR government will exchange the private property with an equivalent public property based on the valuation and conditions of the property. The exchange of property is in accordance with established principles of international law. There is no remunerative compensation.

D. Dispute Settlement

The U.S. Consulate General is not aware of any investor-state disputes involving U.S. or other foreign investors or contractors and the SAR government. Private investment disputes are normally handled in the courts or via private negotiation. Alternatively, disputes may be referred to the Hong Kong International Arbitration Center.

Macau has an arbitration law (Decree 55/98/M), which adopts the United Nations Commission on International Trade Law (UNCITRAL) model law for international commercial arbitration. The SAR government accepts international arbitration of investment disputes between itself and investors.

Macau's legal system is based on the rule of law and the independence of the judiciary. Macau has commercial and bankruptcy laws (Decree 40/99/M). Courts in Macau include the Court of Final Appeal, Intermediate Courts and Primary Courts. There is also an Administrative Court, which has jurisdiction over administrative and tax cases. These provide an effective means for enforcing property and contractual rights. Commercial and bankruptcy laws are written under the Macau Commercial Code (Decree 40/99/M).

E. Performance Requirements/Incentives

To attract foreign investment, the SAR government offers investment incentives to investors on a national treatment basis. These incentives are contained in Decrees 1/86/M, 58/99/M, 23/98/M and 49/85/M and provided if companies can fulfill at least one of the purposes of promoting economic diversification, contributing to promotion of exports to new unrestricted markets, promoting added value within their activity's value chain, and contributing to technical modernization. There is no requirement that nationals own shares. These incentives are categorized as fiscal incentives, financial incentives and land concessions.

Fiscal incentives include full or partial exemption from profit/corporate tax, industrial tax, property tax, stamp duty for transfer of properties, and consumption tax. The tax incentives are consistent with the WTO Agreement on Subsidies and Countervailing Measures as they are neither export subsidies nor import substitution subsidies as defined in the WTO Agreement. Financial incentives include government-funded interest subsidies (ranging from 4-6 percent) on private bank Pataca loans for buying/leasing new equipment or construction/leasing of industrial buildings. Land concessions are granted to investors with a significant investment in Macau. In addition, Macau provides other subsidies for overseas promotions and applications for quality and environment management certification. Offshore companies are granted fiscal incentives and their managers and specialists who are not Macau residents are exempted from paying professional tax for the first 3 years of employment.

F. Right to Private Ownership and Establishment

Macau law and regulation provide for the right of foreign and domestic private entities to establish, acquire and dispose of interests in business enterprises.

G. Protection of Property Rights

Macau is a member of the World Intellectual Property Organization. Macau has acceded to the Berne Convention for the Protection of Literary and Artistic Works. Patents and trademarks are registered under Decree 97/99/M. Macau's copyright laws are TRIPS compatible and government offices are required to use only licensed software. The SAR government devotes considerable attention to intellectual property rights enforcement and coordinates with copyright holders. Source Identification Codes are stamped on all optical discs produced in Macau. Macau Economic Services (MES) uses an expedited prosecution arrangement to speed up punishment of accused pirate retailers.

H. Transparency of the Regulatory System

The government has transparent policies and laws that establish clear rules and do not unnecessarily impede investment. The basic elements of a competition policy are set out in Macau's 1999 Commercial Code.

I. Efficient Capital Markets and Portfolio Investment

Macau allows free flows of financial resources. Foreign investors can obtain credit in the local financial market. At present, there are 23 financial institutions in Macau, including 12 local banks and 11 branches of banks incorporated outside Macau. In addition, there are ten moneychangers, two cash remittance companies, three financial intermediaries and one representative office of a financial institution. These institutions provide a range of credit instruments. Banks with capital originally from China and Portugal have a combined market share of about 68 percent of total deposits in the banking system. Total deposits amounted to US\$12.2 billion in February 2003. In March 2003, banks in Macau maintained a capital adequacy ratio at 15.8 percent, well above the minimum 8 percent recommended by the Bank for International Settlements. Accounting systems in Macau are consistent with international norms.

Macau has no stock market, but companies can seek a listing in Hong Kong's stock markets. There is cooperation between Macau and Hong Kong financial regulatory authorities.

Under the Macau Insurance Ordinance, the Monetary Authority authorizes and monitors insurance companies. There are 11 life insurance companies and 15 non-life insurance companies in Macau. Total gross premium income from insurance services amounted to US\$179 million in 2002.

Offshore finance businesses, including credit institutions, insurers, underwriters, and offshore trust management companies, are regulated and supervised by the Monetary Authority. Profits derived from offshore activities are fully exempted from all form of taxes.

J. Political Violence

Macau is politically stable and secure. The U.S. Consulate General is not aware of any incidents in recent years involving politically motivated damage to projects or installations.

K. Corruption

Macau's anti-corruption agency is called the Commission Against Corruption (CAC). The CAC has powers of arrest and detention. Its budget and manpower have been increased in recent years. The number of complaints of corruption handled by CAC has increased significantly as a result of these changes and a public outreach campaign. The CAC's overall effectiveness remains constrained by legislation limiting the scope of its authority to public, but not private sector corruption.

L. Bilateral Investment Agreements

Macau has signed investment protection agreements with Portugal and the Netherlands.

M. OPIC and Other Investment Insurance Programs

Overseas Private Investment Corporation (OPIC) coverage is not available in Macau.

N. Labor

In recent years, Macau's unemployment rate has risen to historically high levels. During the first quarter of 2003, the jobless rate was 6.1 percent. This high joblessness has resulted from the relocation of manufacturing facilities across the border to Zhuhai in China and a stagnant construction sector. Employment gains in the booming tourism and gaming sectors since 2002 has helped alleviate the unemployment situation. Macau has labor importation schemes for unskilled and skilled workers who cannot be recruited locally. The current migrant labor pool is approximately 23,460, out of a total workforce of 201,000.

O. Foreign Trade Zones/Free Ports

Macau is a free port without foreign trade zones.

P. Foreign Direct Investment Statistics

According to the Enterprise Survey 2001 conducted by the Statistics and Census Service, there were 560 foreign direct investment companies in Macau, employing 34,844 workers. Hong Kong was the largest foreign investor in Macau, accounting for 70 percent of total foreign direct investment.

Table 1: Stock of foreign direct investment by country, 2001

Country	Amount US\$ Million	% Share of Total
Hong Kong	1,993.5	69.7
China	394.9	13.8
Portugal	310.2	10.9
United Kingdom	60.7	2.1
Others	98.8	3.5
TOTAL	2,858.2	100.0

Source: Statistics and Census Service

Table 2: Stock of foreign direct investment by industry, 2001

Sector	Amount US\$ Million	% Share of Total
Cultural, recreational, gaming and other services	1,623.5	56.8
Banks and securities	604.0	21.1
Industrial production	360.9	12.6
Transport, storage and communications	147.0	5.1
Hotels and restaurants	132.4	4.6
Construction	83.5	2.9
Insurance	66.4	2.3
Wholesale and retail	-159.6	-5.6
TOTAL	2,858.2	100.0

Sources: Statistics and Census Service

CHAPTER 8 TRADE AND PROJECT FINANCING**A. Banking System**

Hong Kong has an open financial system, with no controls on currency movement. A more complete description is contained in Chapter 7 Section I above.

B. Foreign Exchange Controls Affecting Trading

The local currency, the Hong Kong Dollar (HK\$), is freely convertible and there are no foreign exchange controls.

C. General Availability of Financing

Commercial trade financing is available in Hong Kong for qualified customers. All licensed banks are authorized to provide loans to residents and non-residents in the currency of their choice. Letters of credit and other financial instruments are widely used to protect participants in trade arrangements. All banks maintain close working relationships with correspondent banking institutions. The financial system is highly developed and efficient.

D. How to Finance Exports/Methods of Payment

The preferred method of quoting is "CIF" or "C and F" in HK\$. The U.S. dollar and other freely convertible currencies may be accepted for bids and pro forma invoicing. Terms of payment depend on the relative negotiating strength of the buyers and sellers. U.S. suppliers should seek to obtain letters of credit or sight draft terms when dealing with buyers who are not well known to them. Asking for a letter of credit is a standard business practice, and your potential customer will not generally interpret this as a sign of mistrust.

The importance of trade finance to Hong Kong has resulted in a high level of bank efficiency in providing import payment services. Letters of credit, document collection and international remittance are widely available. The risk of financing receivables can be readily evaluated via locally available credit information. Prospective exporters should make use of banking relationships to determine credit risk.

E. Types of Available Export Financing and Insurance

The U.S. EX-IM Bank offers both trade financing and insurance for U.S. exports (see below). Commercial vendors are also readily available.

Export Credits: The U.S. Exports-Import Bank, an independent agency of the U.S. government, seeks to increase the competitive position of U.S.-based exporters in overseas markets. By providing export insurance, loan guarantees, direct loans and other types of financing support EX-IM Bank supports the sales of U.S. exports and thereby creates U.S. jobs. The terms and conditions of standard financing are governed by the OECD Arrangement on export credits. Direct lending rates are set monthly and are called Commercial Interest Reference Rates (CIRRs).

For more information concerning EX-IM Bank programs and application procedures contact EX-IM Bank in Washington, D.C. at (800) 565-EXIM or (202) 565-3946. Fee calculations and applications can be found on-line at the web site www.exim.gov.

F. Availability of Project Finance/OPIC and Eximbank Project Finance/Lending From Multilateral Institutions

Hong Kong and Macau are not recipients of official development assistance (i.e. OPIC, AID). Projects are financed on commercial terms. Hong Kong is also a major center for commercial project financing for China. The U.S. Trade and Development Agency programs are available for Hong Kong and Macau.

U.S. Trade and Development Agency (USTDA) funds feasibility studies, orientation visits, specialized training grants, business workshops and technical assistance worldwide. USTDA is active in more than 60 countries and has recently opened its programs in China after a 12-year break. In order to be eligible for assistance, projects must have a procurement process open to U.S. firms, represent an opportunity for sales of U.S. goods and services and be a development priority of the country where the project is located. Contact Mr. Geoffrey Jackson, Regional Director for Asia/Pacific, at USTDA's Arlington, VA office. Tel: (703) 875-4357, Fax: (703) 875-4009. E-mail: info@tda.gov. Web site: <http://www.tda.gov>.

G. List of Banks with Correspondent U.S. Banking Arrangements

The list of Hong Kong based banks with correspondent U.S. banking arrangements is too large to include here. Chapter 11 Section F provides a list of U.S. banks licensed in Hong Kong. Hong Kong's five largest local banks are indicated in Chapter 7 Section I, above.

H. The Asian Development Bank

Asia's premier non-profit financial institution, the Asian Development Bank (ADB), is headquartered in Manila, Philippines. ADB was founded in 1966 and is owned by 61 member countries. The United States and Japan are the largest shareholders. The Bank's regional membership extends from the Far East to South Asia, through the Pacific Islands up to Central Asia. The newest member, Timor-Leste, joined in 2002.

ADB's total lending in 2002 totaled \$5.7 billion. In addition, the bank provided \$182.2 million in technical assistance to its member countries. For the third straight year, India was the largest borrower (20.9 percent of total, or \$1.18 billion). Second largest was Pakistan (20.1 percent or \$1.14 billion) followed by the PRC, traditionally the largest borrower (15.3 percent or \$868 million). Indonesia ranked fourth (13.5 percent or \$767 million), then Vietnam (5.6 percent or \$315 million) and Bangladesh at sixth place (5.3 percent or \$300 million).

ADB's lending portfolio generates commercial opportunities in borrowing countries for consultants, equipment suppliers, contractors, banks and project sponsors from the bank's member countries. In 2002, American companies won \$275 million worth of contracts under ADB projects for a wide range of equipment and services. The United States maintained its number one ranking in total procurement awards for the year among donor countries. Cumulatively, U.S. companies have won \$5 billion worth of contracts since the bank began its operations.

Sectorally, transport and communications again received the largest share of bank lending in 2002, garnering 28.4 percent of total lending. The energy sector regained position with 17.9 percent, followed by finance with 15.2 percent; others – 13.7 percent; and social infrastructure –

11.8 percent. (Sectoral and selected Country Market Briefs may be obtained from the U.S. Commercial Liaison Office for ADB).

Aside from its public sector operations, ADB also lends directly to the private sector where its participation serves to mobilize further investments for projects that have a high developmental impact. In 2002, ADB's assistance to the private sector amounted to \$35.5 million for four equity investments.

ADB maintains resident offices in Bangladesh, Cambodia, China, India, Indonesia, Laos, Kyrgyz Republic, Nepal, Pakistan, Philippines, Sri Lanka, Vietnam, Vanuatu (for the South Pacific), Uzbekistan, Kazakhstan and Mongolia; a field office in Gujarat, India, and a country office in the Philippines. The bank also maintains three representative offices in Tokyo, Washington, D.C. and Frankfurt.

The U.S. Department of Commerce maintains a Congressionally mandated Commercial Liaison Office for the ADB (CS ADB). The Office's mission is to help American firms access, enter and expand in Asian markets that benefit from ADB assistance. For example, the office provides counseling, advocacy, project information and conducts outreach programs in the region as well as in the United States to help U.S. firms take advantage of commercial opportunities in countries borrowing from the ADB. In 2002, CS ADB organized a highly successful Infrastructure Development forum in Shanghai, PRC, bringing together American firms and Chinese government officials for discussions on projects for possible ADB funding. The forum coincided with ADB's 35th Annual Meeting also held in Shanghai. CS ADB also brought ADB consulting/procurement officials to Honolulu, Phoenix, Boston and Birmingham for seminars on ADB Business Opportunities.

To perform its mandate, the office cooperates with the U.S. Director's Office at ADB and works closely with Commercial Service posts in the region. CS ADB's cooperation with CS Hong Kong has resulted in a number of project development efforts to help U.S. consortia and their affiliates better access ADB's private sector window. An American Senior Commercial Officer, Frank Foster, heads the office. CS/ADB invites American firms to work with it in pursuing ADB commercial and infrastructure project development opportunities. The office's contact information:

Address: The U.S. Commercial Liaison Office for ADB (CS ADB)
American Business Center
25th Floor, Ayala Life-FGU Building
6811 Ayala Avenue
Makati City, Philippines 1226

U.S. mailing address:

PSC 500 Box 33
FPO AP 96515-1000

E-mail: manila.adb.office.box@mail.doc.gov

Telephones: (632) 887-1345(-6)

Fax: (632) 887-1164

CHAPTER 9 BUSINESS TRAVEL

A. Business Customs

Over the years, Hong Kong has developed as a unique society based on a blend of Chinese tradition and western technology. Most people who are familiar with Hong Kong know that Hong Kong means business. Above all, it is a society that emphasizes hard work and success.

Americans encounter few if any cultural problems when conducting business in Hong Kong. Americans should be aware that Hong Kong people tend to be more formal than many Americans. Business acquaintances are addressed as Mr. or Ms. unless they state that their first name should be used. Business cards are exchanged frequently and the exchange should be fairly formal: the card should be accepted with both hands and a moment taken to read it carefully. "Face" is very important, and problems or areas of disagreement are handled indirectly to avoid loss of "face." While a study of local customs and practices may be helpful, most people in Hong Kong are sufficiently familiar with Western customs that they are tolerant of cultural differences. Business contacts should be treated the same as a formal business relationship in the United States. Western business attire (suit and tie for men, business suits for women) is appropriate.

B. Travel Advisory and Visas

Visas allowing residence and local employment for expatriates are granted on the basis of simple, comprehensible procedures, are handled in a timely manner and managed in a way that is consistent with the interests of employees. There are no quotas, bonds, or guarantees required. All residents are equal under the law, enjoy freedom of movement, access to public education, and basic civil freedoms.

Visiting Americans generally fit in well. Most Hong Kong business executives speak English, and are accustomed to dealing with Westerners.

C. Holidays2003

September 12	The day following Mid-Autumn Festival
October 1	National Day
October 4	Chung Yeung Festival
December 25	Christmas Day
December 26	First weekday after Christmas Day

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January 1	New Year's Day
January 22	Lunar New Year's Day
January 23	The second day of the Lunar New Year Day
January 24	The third day of the Lunar New Year
April 5	Ching Ming Festival
April 9	Good Friday
April 10	The day following Good Friday
April 12	Easter Monday
May 1	Labor Day

May 26	The Buddha's Birthday
June 22	Tuen Ng Festival
July 1	Hong Kong Special Administrative Region Establishment Day
September 29	The day following Chinese Mid-Autumn Festival
October 1	National Day
October 22	Chung Yeung Festival
December 25	Christmas Day
December 26	First weekday after Christmas Day

* As the Ching Ming Festival in 2004 falls on a Sunday, the following day will be designated an additional general holiday.

D. Business Infrastructure (e.g. transportation, language, communications, housing, health, food)

Housing, food, telecommunications, transportation and healthcare are all available at levels comparable to major American cities. Most people live in apartments in high-rise buildings. Rents for housing are very high. Hong Kong has many different types of restaurants, offering a wide variety of international foods. Grocery stores are also stocked with an international selection of items. Communications facilities are excellent. Long distance telephone and facsimile services can be easily arranged with telecommunications companies, and are available in hotels and business centers. Hong Kong also has a very good public transportation system. Major modes of transportation include buses, the Mass Transit Railway (underground subway system), trams, ferries, the Kowloon-Canton Railway and taxis. In addition, almost all major airlines service Hong Kong. Healthcare facilities are also excellent, and Hong Kong's private hospitals and private physicians are of international standards.

Your business partners will often speak English, and will negotiate on a very business-like basis. It should be noted however, that as companies from China continue to expand their business activities in Hong Kong, more business is being conducted in Mandarin. When conducting business with these companies, U.S. business people may be well advised to bring along a Mandarin-English interpreter to avoid any misunderstandings.

E. Temporary Entry of Goods (e.g. laptop computers, software, exhibit materials)

Hong Kong Customs does not restrict the temporary import of goods into Hong Kong, such as laptop computers, software and general exhibit materials, for business purposes so long as the goods are not restricted items which normally require an import license. The temporary import of supercomputers, which is a controlled item, or of any exhibit materials which are also controlled items, would require a license even if the commodity is being shipped in only for exhibit purposes.

General and country-specific travel information can be retrieved from the Department of State's web site at <http://travel.state.gov>. Business travelers to Hong Kong seeking appointments with U.S. Consulate General Hong Kong officials should contact the Commercial Section in advance. The Commercial Section can be reached by telephone at (852) 2521-1467, fax at (852) 2845-9800, or email at Hong.Kong.Office.Box@mail.doc.gov or visit U.S. Consulate General web site at: <http://hongkong.usconsulate.gov>.

CHAPTER 10	ECONOMIC AND TRADE STATISTICS
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APPENDIX A -- COUNTRY DATA

a.	Population	6.82 million (End-2002)
b.	Population Growth Rate	0.8%
c.	Religion(s)	Buddhism, Taoism, Christianity (all denominations), Confucianism, small numbers of Moslems, Hindus, Jews, and Sikhs.
d.	Government System	Reverted to Chinese sovereignty and became a Special Administrative Region of China on July 1, 1997 with a high degree of autonomy until 2047.
e.	Language(s)	English and Cantonese are the languages of administration and commerce. Mandarin Chinese is becoming more common.
f.	Workweek	Business hours are 9 to 5, Monday through Friday. Many companies now have a 5-day workweek.

APPENDIX B -- DOMESTIC ECONOMY

(US\$ Millions, unless otherwise noted)

		2001	2002	2003 (Forecast)
a.	GDP (current price)	162,817	161,509	158,279
b.	Real GDP Growth (%)	0.5	2.3	1.5
c.	GDP Per Capita (US\$) (current Prices)	24,211	23,797	23,083
d.	Government Spending as % of GDP (FY)	19.0	18.9	20.0
e.	Inflation (%)	-1.6	-3.0	-2.5
f.	Unemployment (%)	5.1	7.3	8.2
g.	Foreign Exchange Reserves	111,159	111,921	113,824
h.	Average Exchange Rate for US\$1.00	7.799	7.799	7.799
i.	Debt Service Ratio *	N/A	N/A	N/A
j.	U.S. Military/Economic Assistance	N/A	N/A	N/A

Sources: Hong Kong Government; forecasts for 2003, except for real GDP growth, nominal GDP, inflation and unemployment are U.S. Consulate General estimates.

Note: Beginning July 1, 1997, the Land Fund, estimated to be US\$19.2 billion, has been included in the Foreign Exchange Reserves.

* Hong Kong has no foreign debt.

APPENDIX C -- TRADE STATISTICS

(US\$ Millions, unless otherwise noted)

		2001	2002	2003 (Forecast)
a.	Total Hong Kong Exports Total Exports (including re-exports) Of which: Domestic Exports	189,870 19,682	200,066 16,785	204,067 14,771
b.	Total Hong Kong Imports Total Imports Of which: Retained Imports	201,051 65,241	210,314 61,360	212,417 61,601
c.	U.S. Exports U.S. Exports to Hong Kong	13,461	11,454	11,683
d.	U.S. Imports Hong Kong Exports to the U.S. (domestic exports) (re-exports)	6,101 36,178	5,373 37,313	4,874 38,238

Note: The above statistics are based on Hong Kong Government trade statistics. U.S. Department of Commerce statistics show U.S. exports to Hong Kong in 2002 of \$12.6 billion, and imports from Hong Kong of \$9.3 billion.

The 2003 number is based on U.S. Consulate General unofficial projections.

Sources: Hong Kong Government

CHAPTER 11 U.S. AND HONG KONG CONTACTS**A. U.S. Consulate General Trade Related Contacts****U.S. Consulate General, Hong Kong**

26 Garden Road
Central, Hong Kong
Tel: (852) 2523-9011
Fax: (852) 2845-1598
Web site: <http://hongkong.usconsulate.gov>

Commercial Service -- Hong Kong

Senior Commercial Officer: Barry Friedman
Deputy Senior Commercial Officer: Sarah Kemp
Commercial Officer: Dien Ly
U.S. Consulate General
26 Garden Road
Central, Hong Kong
Tel: (852) 2521-1467
Fax: (852) 2845-9800
E-mail: Hong.Kong.Office.Box@mail.doc.gov
Web site: www.buyusa.gov/hongkong

Economic/Political Section -- Hong Kong

Chief: Simon Schuchat
U.S. Consulate General
26 Garden Road
Central, Hong Kong
Tel: (852) 2841-2101
Fax: (852) 2526-7382

Foreign Agricultural Service -- Hong Kong

Agricultural Trade Officer: Lloyd Harbert
Asst. Agricultural Trade Officer: David Wolf
U.S. Consulate General
26 Garden Road
Central, Hong Kong
Tel: (852) 2841-2350
Fax: (852) 2845-0943
E-mail: ATOHongKong@fas.usda.gov
Web site: www.usfoods-hongkong.net

Department of Commerce -- International Trade Administration

Office of PRC and Hong Kong, Director: Cheryl McQueen

Country Desk Officer: Zarema Arutyunova
U.S. Department of Commerce
Room 2317, Office of China, Hong Kong and Mongolia
14th & Constitution Ave, NW
Washington, D.C. 20230
Tel: (202) 482-3932
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Director: Stephen M. Young
U.S. Department of State
Office for Chinese and Mongolian Affairs
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2201 C Street, NW
Washington, D.C. 20520
Tel: (202) 647-6803
Fax: (202) 647-6820

U.S. Commercial Service Offices in China:

Beijing

U.S. Commercial Service
31st Floor, North Tower
Beijing Kerry Center, No. 1 Guanghai Lu
Beijing 100020, China
Tel: (86-10) 8529-6655
Fax: (86-10) 8529-6558/9
E-mail: Beijing.Office.Box@mail.doc.gov
Web site: www.buyusa.gov/china

Chengdu

U.S. Commercial Service
4 Lingshiguan Lu, Renmin Nanlu Section 4
Chengdu
Sichuan 610041, China
Tel: (86-28) 558-3992/9642
Fax: (86-28) 558-9221/3520
E-mail: Chengdu.Office.Box@mail.doc.gov

Guangzhou

U.S. Commercial Service

14/F, China Hotel Office Tower, Room 1461
Liu Hua Road
Guangzhou 510015, China
Tel: (86-20) 8667-4011
Fax: (86-20) 8666-6409
E-mail: Guangzhou.Office.Box@mail.doc.gov

Shanghai

U.S. Commercial Service
Shanghai Centre, Suite 631
1376 Nanjing West Road
Shanghai 200040, China
Tel: (86-21) 6279-7630
Fax: (86-21) 6279-7639
E-mail: Shanghai.Office.Box@mail.doc.gov

Shenyang

U.S. Commercial Service
52 Shi Si Wei Lu
Shenyang
Liaoning Province 110003, China
Tel: (86-24) 2322-1198 ext. 189
Fax: (86-24) 2322-2206
E-mail: Shenyang.Office.Box@mail.doc.gov

B. American Chamber of Commerce and U.S. China Business Council

American Chamber of Commerce in Hong Kong
Frank G. Martin, President
Room 1904, Bank of America Tower
12 Harcourt Road
Central, Hong Kong
Tel: (852) 2526-0165
Fax: (852) 2810-1289
E-mail: amcham@amcham.org.hk
Web site: <http://www.amcham.org.hk>

U.S. China Business Council
Suite 200, 1818 N. Street, NW
Washington, D.C. 20036
Tel: (202) 429-0340
Fax: (202) 775-2476
E-mail: info@uschina.org
Web site: <http://www.uschina.org>

C. Hong Kong Trade or Industry Associations in Key Sectors

Chinese General Chamber of Commerce, Hong Kong
Dr. Robin Chan Yau-hing, Chairman
4th Floor, 24-25 Connaught Road
Central, Hong Kong

Tel: (852) 2525-6385
Fax: (852) 2845-2610
E-mail: cgcc@cgcc.org.hk
Web site: <http://www.cgcc.org.hk>

Chinese Manufacturers' Association of Hong Kong
Mr. Chan Wing Kee, President
CMA Building
64-66 Connaught Road
Central, Hong Kong
Tel: (852) 2542-8600
Fax: (852) 2541-4541
E-mail: info@cma.org.hk
Web site: www.cma.org.hk

The Cosmetic & Perfumery Association of Hong Kong Ltd.
Mr. Jacky Choi Ho-Sang, President
Room 308, Winning Commercial Building
46-48 Hillwood Road
Tsimshatsui, Kowloon
Hong Kong
Tel: (852) 2366-8801
Fax: (852) 2312-0348
E-mail: cosasso@netvigator.com
Web site: www.cosmetic-perfume.com

Federation of Hong Kong Industries
Mr. Victor Lo Chung-wing, Chairman
4th Floor, Hankow Center
5-15 Hankow Road, Tsimshatsui
Kowloon, Hong Kong
Tel: (852) 2732-3188
Fax: (852) 2721-3494
E-mail: fhki@fhki.org.hk
Web site: <http://www.fhki.org.hk>

Graphic Arts Association of Hong Kong Ltd.
Mr. Derek Yip Wai-chi, Chairman
Room 2307, Billion Trade Centre
31 Hung To Road, Kwun Tong
Kowloon, Hong Kong
Tel: (852) 2856-9760
Fax: (852) 2856-9765
E-mail: gaahk@gaahk.org.hk
Web site: <http://www.gaahk.org.hk>

Hong Kong Air Traffic Control Association
Mr. Patrick Yam Kwok Ming, President
Air Traffic Management Division
Civil Aviation Department

1 Control Tower Road
Hong Kong International Airport
Lantau, Hong Kong
Tel: (852) 2910-6461
Fax: (852) 2910-1177

Hong Kong Association for the Advancement of Science & Technology
Dr. Lui Sun Wing, President
Flat A, 2/F, Tak Lee Commercial Building
113-117 Wanchai Road
Wan Chai, Hong Kong
Tel: (852) 2891-3388
Fax: (852) 2838-1823
E-mail: info@hkaast.org.hk

Hong Kong Association of Banks
The Hongkong and Shanghai Banking Corporation Ltd., Chairman
Room 525, Prince's Building
Central, Hong Kong
Tel: (852) 2521-1169
Fax: (852) 2868-5035
E-mail: hkab@pacific.net.hk
Web site: www.hkab.org.hk

Hong Kong Association of Certification Laboratories Ltd.
Mr. Nigel Cheung, Chairman
1/F, CMA Building
64-66 Connaught Road
Central, Hong Kong
Tel: (852) 2542-8620
Fax: (852) 2541-8154
E-mail: acl@cma.org.hk
Web site: www.hkacl.org

Hong Kong Association of the Pharmaceutical Industry
Mr. Stephen Leung, President
Room A, 13/F, Trust Tower
68 Johnston Road
Wan Chai, Hong Kong
Tel: (852) 2528-3061
Fax: (852) 2865-6283
E-mail: hkapi@netvigator.com

Hong Kong Aviation Club Ltd.
Mr. Alex T. C. Yan, President
31 Sung Wong Toi Road
Kowloon, Hong Kong
Tel: (852) 2713-5171
Fax: (852) 2761-9511
E-mail: hkac@netvigator.com

Web site: www.hkaviationclub.com.hk
Hong Kong-United States Business Council
c/o Hong Kong Trade Development Council
Miss Jenny Koo, Secretary
38th Floor, Office Tower, Convention Plaza
1 Harbour Road, Wan Chai
Hong Kong
Tel: (852) 2584-4313
Fax: (852) 2583-9275
E-mail: hktdc@tdc.org.hk
Web site: www.tdctrade.com

Hong Kong Chinese Enterprises Association
Mr. Liu Jin Bao, Chairman
Room 2104-6, Harbour Centre
25 Harbour Road, Wan Chai
Hong Kong
Tel: (852) 2827-2831
Fax: (852) 2827-2606
E-mail: info@hkcea.com
Web site: www.hkcea.com

The Hong Kong Chinese Importers' & Exporters' Association
Mr. Hui Cheung Ching, President
7-8th Floors, Champion Building
287-291 Des Voeux Road
Central, Hong Kong
Tel: (852) 2544-8474
Fax: (852) 2544-4677/2581-4979
E-mail: info@hkciea.org.hk
Web site: www.hkciea.org.hk

Hong Kong Computer Society
Mr. Daniel Lai, President
Room 1915, China Merchants Tower
Shun Tak Centre, 168 Connaught Road Central
Hong Kong
Tel: (852) 2834-2228
Fax: (852) 2834-3003
E-mail: hkcs@hkcs.org.hk
Web site: www.hkcs.org.hk

Hong Kong Construction Association, Ltd.
Mr. Billy Wong, President
3/F, 180-182 Hennessy Road
Wan Chai
Hong Kong
Tel: (852) 2572-4414
Fax: (852) 2572-7104
E-mail: admin@hkca.com.hk

Web site: www.hkca.com.hk
Hong Kong Economic and Trade Association Ltd.
Dr. Eddy Li Sau-Hung, President
11/F, Kee Shing Centre
74-76 Kimberley Road
Tsimshatsui, Kowloon
Hong Kong
Tel: (852) 2723-6223
Fax: (852) 2722-6705
E-mail: hketa@campbell.com.hk
Web site: www.hketa.org.hk

The Hong Kong Electronics Industries Association Ltd.
Mr. Samson Tam, Chairman
Room 1201, 12/F, Harbour Crystal Centre
100 Granville Road, Tsimshatsui East
Kowloon, Hong Kong
Tel: (852) 2778-8328
Fax: (852) 2788-2200
E-mail: hkeia@hkeia.org
Web site: www.hkeia.com

The Hong Kong Federation of Insurers
Mr. K. P. Cheng, Chairman
29/F, Sunshine Plaza
353 Lockhart Road, Wan Chai
Hong Kong
Tel: (852) 2520-1868
Fax: (852) 2520-1967
E-mail: hkfi@hkfi.org.hk
Web site: www.hkfi.org.hk

Hong Kong Franchise Association
Ms. Charlotte Chow, General Manager
c/o Hong Kong General Chamber of Commerce
22/F, United Centre
95 Queensway, Admiralty
Hong Kong
Tel: (852) 2529-9229
Fax: (852) 2527-9843
E-mail: hkfa@franchise.org.hk
Web site: www.franchise.org.hk

The Hong Kong General Chamber of Commerce
Mr. Anthony Nightingale, Chairman
22nd Floor, United Center
95 Queensway
Hong Kong
Tel: (852) 2529-9229
Fax: (852) 2527-9843
E-mail: chamber@chamber.org.hk

Web site: www.chamber.org.hk
Hong Kong Institution of Engineers
Mr. John Luk, President
9/F, Island Beverley
No. 1 Great George Street
Causeway Bay, Hong Kong
Tel: (852) 2895-4446
Fax: (852) 2577-7791

The Hong Kong Medical Association
Dr. Lo Wing Lok, President
5/F, Duke of Windsor Social Service Building
15 Hennessy Road, Wan Chai
Hong Kong
Tel: (852) 2527-8285
Fax: (852) 2865-0943
E-mail: hkma@hkma.org
Web site: <http://www.hkma.org>

Hong Kong PATA (Pacific Asia Travel Association) Chapter
Mr. Edmund Tsang, Chairman
Room 1003, Tung Ming Building
40 Des Voeux Road, Central
Hong Kong
Tel: (852) 2869-8600
Fax: (852) 2869-8632
E-mail: adminassoc@ctimail3.com

Hong Kong Plastic Material Suppliers Association Ltd.
Mr. Sho-Yung Chu, Chairman
12/F, Eader Center
39-41 Hankow Road
Tsimshatsui, Kowloon
Hong Kong
Tel: (852) 2375-2686
Fax: (852) 2317-1129

Hong Kong Printers Association
Mr. Ho Ka Hun, Chairman
1/F, 48-50 Johnston Road
Wan Chai
Hong Kong
Tel: (852) 2527-5050
Fax: (852) 2861-0463
E-mail: printers@hkprinters.org
Web site: www.hkprinters.org

Internet & Telecom Association of Hong Kong

Mr. Tony Hau, Chairman
G.P.O. Box 13461
Hong Kong
Tel: (852) 2504-2732
Fax: (852) 2504-2752
E-mail: info@itahk.org.hk
Web site: www.itahk.org.hk

Plastic Technology Center
Mr. Samson Suen, Consultant
LG/2, HKPC Building
78 Tat Chee Avenue
Kowloon Tong, Kowloon
Hong Kong
Tel: (852) 2788-6168
Fax: (852) 2788-6169
E-mail: ptc@hkpc.org
Web site: www.hkpc.org/ptc

Society of Builders Hong Kong
Mr. Tong Yat Chu, President
Rooms 801-802, On Lok Yuen Building
25 Des Voeux Road Central
Central, Hong Kong
Tel: (852) 2523-2081
Fax: (852) 2845-4749

Travel Industry Council of Hong Kong
Mr. Ronnie Yuen, Chairman
Rooms 1706-1709, Fortress Tower
250 King's Road, North Point
Hong Kong
Tel: (852) 2807-1199
Fax: (852) 2510-9907
E-mail: office@tichk.org
Web site: www.tichk.org

D. Hong Kong Government Offices Relating to Key Sectors and/or Significant Trade Related Activities

Agriculture, Fisheries and Conservation Department
Mr. Thomas Chun-yuen Chan, Director
5/F, Cheung Sha Wan Government Offices
303 Cheung Sha Wan Road
Kowloon, Hong Kong
Tel: (852) 2708-8885, 2150-6666
Fax: (852) 2311-3731
E-mail: mailbox@afcd.gov.hk
Web site: <http://www.info.gov.hk/afcd>

Airport Authority Hong Kong
Dr. Victor Kwok-king Fung, Chairman
Airport Authority Building
1 Cheong Yip Road
Hong Kong International Airport
Lantau, Hong Kong
Tel: (852) 2188-7111
Fax: (852) 2824-0717
Web site: www.hkairport.com

Buildings Department
Mr. Marco Wu Moon-hoi, Director
18/F, Pioneer Centre
750 Nathan Road, Mongkok
Kowloon, Hong Kong
Tel: (852) 2626-1616
Fax: (852) 2840-0451
E-mail: enquiry@bd.gov.hk
Web site: <http://www.info.gov.hk/bd/>

Census and Statistics Department
Mr. Frederick Ho Wing-huen, Commissioner for Census and Statistics
21st Floor, Wanchai Tower
12 Harbour Road, Wan Chai
Hong Kong
Tel: (852) 2582-4807
Fax: (852) 2824-1003
E-mail: gen-enquiry@censtatd.gov.hk
Web site: <http://www.info.gov.hk/censtatd/>

Civil Aviation Department
Mr. Albert Lam Kwong-yu, Director-General
46th Floor, Queensway Government Offices
66 Queensway
Hong Kong
Tel: (852) 2867-4332
Fax: (852) 2869-0093
E-mail: enquiry@cad.gov.hk
Web site: <http://www.info.gov.hk/cad>

Consumer Council
Mrs. Pamela Chan, Chief Executive
22nd Floor, K. Wah Center
191 Java Road, North Point
Hong Kong
Tel: (852) 2856-3113
Fax: (852) 2856-3611
E-mail: cc@consumer.org.hk
Web site: www.consumer.org.hk

Customs and Excise Department
Mr. Raymond Hung-Chiu Wong, Commissioner
9th Floor, Harbour Building
38 Pier Road, Central
Hong Kong
Tel: (852) 2815-7711
Fax: (852) 2542-3334
E-mail: customsenquiry@customs.gov.hk
Web site: www.info.gov.hk/customs

Department of Health
Dr. Margaret Chan Fung Fu-chun, Director
17th & 21st Floors, Wu Chung House
213 Queen's Road East, Wan Chai
Hong Kong
Tel: (852) 2961-8989
Fax: (852) 2836-0071
E-mail: enquiries@dh.gov.hk
Web site: <http://www.info.gov.hk/dh>

Drainage Services Department
Mr. Raymond Cheung Tat-kwing, Director
43rd Floor, Revenue Tower
5 Gloucester Road, Wan Chai
Hong Kong
Tel: (852) 2877-0660
Fax: (852) 2827-8605
E-mail: enquiry@dsd.gov.hk
Web site: www.info.gov.hk/dsd

Electrical and Mechanical Services Department
Mr. Roger Lai Sze-hoi, Director
98 Caroline Hill Road, Causeway Bay
Hong Kong
Tel: (852) 2882-8011
Fax: (852) 2890-7493
E-mail: info@emsd.gov.hk
Web site: www.emsd.gov.hk

Environmental Protection Department
Mr. Robert J.S. Law, Director
24th-28th Floors, Southorn Centre
130 Hennessy Road, Wan Chai
Hong Kong
Tel: (852) 2835-1018
Fax: (852) 2838-2155
E-mail: enquiry@epd.gov.hk
Web site: www.info.gov.hk/epd

Food & Environmental Hygiene Department

Mr. Gregory Leung Wing-lup, Director
42-45 Floors, Queensway Government Offices
66 Queensway
Hong Kong
Tel: (852) 2867-5578
Fax: (852) 2893-3547
E-mail: enquiries@fehd.gov.hk
Web site: www.fehd.gov.hk

Government Supplies Department
Mrs. Stella Hung Kwok Wai-ching, Director
10/F, North Point Government Offices
333 Java Road, North Point
Hong Kong
Tel: (852) 2231-5105
Fax: (852) 2887-6591
E-mail: info@gsd.gov.hk
Web site: www.info.gov.hk/gsd

Hong Kong Productivity Council
Mr. Andrew Leung, Chairman
HKPC Building
78 Tat Chee Avenue
Yau Yat Chuen, Kowloon Tong
Kowloon, Hong Kong
Tel: (852) 2788-5678
Fax: (852) 2788-5900
E-mail: hkpcenq@hkpc.org
Web site: www.hkpc.org

Hong Kong Tourism Board
Miss Clara Ming-Wah Chong, Executive Director
9-11/F, Citicorp Centre
18 Whitfield Road, North Point
Hong Kong
Tel: (852) 2807-6543
Fax: (852) 2806-0303
E-mail: info@discoverhongkong.com
Web site: www.discoverhongkong.com

Hong Kong Trade Development Council
Mr. Michael Sze, Executive Director
38th Floor, Office Tower, Convention Plaza
1 Harbour Road, Wan Chai
Hong Kong
Tel: (852) 2584-4333
Fax: (852) 2824-0249
E-mail: hktdc@tdc.org.hk
Web site: www.tdctrade.com

Hospital Authority
Dr. C. H. Leung, Chairman
Hospital Authority Building
147B Argyle Street
Kowloon, Hong Kong
Tel: (852) 2300-6555
Fax: (852) 2881-8058
E-mail: webmaster@ha.org.hk
Web site: www.ha.org.hk

Information Technology Services Department
Mr. Alan Wong, Director
14-16 & 25/F, Wanchai Tower
12 Harbour Road, Wan Chai
Hong Kong
Tel: (852) 2582-4520
Fax: (852) 2824-3208
E-mail: enquiry@itsd.gov.hk
Web site: www.itsd.gov.hk

Innovation and Technology Commission
Mr. Francis Ho, Commissioner
14th Floor, Ocean Center
5 Canton Road, Tsimshatsui
Kowloon, Hong Kong
Tel: (852) 2737-2208
Fax: (852) 2730-4633
E-mail: enquiry@itc.gov.hk
Web site: www.info.gov.hk/itc

Intellectual Property Department
Mr. Stephen Selby, Director
24th & 25th Floor, Wu Chung House
213 Queen's Road East, Wan Chai
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Tel: (852) 2803-5860/2961-6901
Fax: (852) 2838-6276
E-mail: enquiry@ipd.gov.hk
Web site: www.info.gov.hk/ipd

Office of the Commissioner of Insurance
Mr. Benjamin Tang, Commissioner
21st Floor, Queensway Government Offices
66 Queensway, Central
Hong Kong
Tel: (852) 2867-2565
Fax: (852) 2869-0252
E-mail: iamail@oci.gov.hk
Web site: www.info.gov.hk/oci

Office of the Telecommunications Authority
Mr. Anthony Wong Sik-kei, Director General
29th Floor, Wu Chung House
213 Queen's Road East, Wan Chai
Hong Kong
Tel: (852) 2961-6333
Fax: (852) 2803-5110
E-mail: webmaster@ofta.gov.hk
Web site: www.ofta.gov.hk

Trade and Industry Department
Mr. Kevin Ho Chi-ming, Director-General
Ground Floor, Trade and Industry Department Tower
700 Nathan Road, Mong Kok
Kowloon, Hong Kong
Tel: (852) 2398-5333
Fax: (852) 2789-2491
E-mail: enquiry@tid.gov.hk
Web site: www.tid.gov.hk

E. Hong Kong Market Research Firms

AC Nielsen Hong Kong Office
2/F, Warwick House, Taikoo Place
979 King's Road, Quarry Bay
Hong Kong
Tel: (852) 2563-9688
Fax: (852) 2516-6856
E-mail: info@acnielsen.com.hk
Web site: www.acnielsen.com.hk

Boston Consulting Group, The
34th Floor, Shell Tower
Times Square, 1 Matheson Street
Causeway Bay, Hong Kong
Tel: (852) 2506-2111
Fax: (852) 2506-9084
Web site: www.bcghk.com.hk

China Concept Consulting
27/F, Wyndham Place
44 Wyndham Street, Central
Hong Kong
Tel: (852) 2524-6788
Fax: (852) 2810-6764
Web site: www.chinaconcept.com

Gartner Hong Kong Ltd.
Suite 6808, 68/F., Central Plaza
18 Harbour Road, Wan Chai
Hong Kong

Tel: (852) 3402-0402
Fax: (852) 2824-6138
Web site: www.gartner.com
Hong Kong Productivity Council
Marketing Group
HKPC Building, 78 Tat Chee Avenue
Yau Yat Chuen, Kowloon Tong
Kowloon, Hong Kong
Tel: (852) 2788-5678
Fax: (852) 2788-5042
E-mail: hkpcenq@hkpc.org
Web site: www.hkpc.org

International Data Corporation Asia Pacific Ltd.
12/F, St. John's Building
33 Garden Road, Central
Hong Kong
Tel: (852) 2530-3831
Fax: (852) 2537-7347
Web site: www.idc.com

Marketing & Management Solutions
16/F, New Hennessy Tower
263 Hennessy Road
Wan Chai, Hong Kong
Tel: (852) 2511-2021
Fax: (852) 2598-7378
E-mail: mandms@netvigator.com

NFO International
3/F, Sun Hung Kai Centre
30 Harbour Road, Wan Chai
Hong Kong
Tel: (852) 2811-9668
Fax: (852) 2811-9988
E-mail: info@nfow.com.hk
Web site: www.nfow.com.hk

ORC International Holdings, Inc.
1602, Ming An Plaza 1
8 Sunning Road, Causeway Bay
Hong Kong
Tel: (852) 2882-3042
Fax: (852) 2882-4515
Web site: www.orcinternational.com/hongkong

Pacific Rim Group Ltd.
Suite 1901, Ruttonjee House
11 Duddell Street, Central
Hong Kong
Tel: (852) 2524-6078

Fax: (852) 2810-6265
E-mail: HongKong@PacificRimGroup.com
Web site: www.pacificrimgroup.com
PDI Global Research Consortia, Ltd.
Suite 3705, 37/F, Lippo Centre, Tower II
89 Queensway, Central
Hong Kong
Tel: (852) 2572-2641
Fax: (852) 2572-2649
Web site: www.pdi-corp.com

Research International Asia Ltd.
Unit 3503, 35/F, Hong Kong Telecom Tower
Taikoo Place, 979 King's Road
Quarry Bay, Hong Kong
Tel: (852) 2591-2591
Fax: (852) 2591-2599
Web site: www.research-int.com

Ringe Marketing Services Ltd.
1306 Hermes Commercial Centre
4 Hillwood Road, Tsimshatsui
Kowloon, Hong Kong
Tel: (852) 2366-3089
Fax: (852) 2722-6300
E-mail: ringe@netvigator.com

WirthlinAsiaPacific
Unit 2602, MLC Millennia Plaza
663 King's Road, North Point
Hong Kong
Tel: (852) 2832-9707
Fax: (852) 2591-9385
Web site: www.wirthlin.com

F. Licensed U.S. Commercial Banks in Hong Kong

American Express Bank Ltd.
36th Floor, One Pacific Place
88 Queensway
Hong Kong
Tel: (852) 2844-0688
Fax: (852) 2845-3637
Web site: www.americanexpress.com/hk/

Bank of America, N.A.
2/F, Bank of America Tower
12 Harcourt Road, Central
Hong Kong
Tel: (852) 2847-5333

Fax: (852) 2847-5410

Bank of New York (HK Branch)
6th Floor, New Henry House
10 Ice House Street, Central
Hong Kong
Tel: (852) 2840-9888
Fax: (852) 2810-5279
Web site: www.bankofny.com

Bank One
7/F, Jardine House
1 Connaught Place, Central
Hong Kong
Tel: (852) 2844-9222
Fax: (852) 2844-9318
Web site: www.bankone.com

Citibank NA
40/F, Citibank Tower
Citibank Plaza, 3 Garden Road
Central, Hong Kong
Tel: (852) 2868-8888
Fax: (852) 2306-8111
Web site: www.citibank.com.hk

Fleet National Bank
33/F, Jardine House
1 Connaught Place, Central
Hong Kong
Tel: (852) 2526-4361
Fax: (852) 2845-9222

J. P. Morgan Chase & Co.
35/F, Tower I, Exchange Square
8 Connaught Place, Central
Hong Kong
Tel: (852) 2841-4321
Fax: (852) 2841-4396
Web site: www.chase.com.hk

NBD Bank, NA
Room 804, Tower 1, Lippo Center
89 Queensway
Hong Kong
Tel: (852) 2523-1816
Fax: (852) 2810-6582

State Street Bank and Trust Company
32/F, Two Exchange Square

8 Connaught Place, Central
 Hong Kong
 Tel: (852) 2840-5388
 Fax: (852) 2840-5453
 Web site: www.statestreet.com

Union Bank of California, N.A.
 15th Floor, Asia Pacific Finance Tower
 Citibank Plaza, 3 Garden Road
 Central, Hong Kong
 Tel: (852) 2826-0600
 Fax: (852) 2877-2666
 Web site: www.uboc.com

Wells Fargo Bank NA
 27/F, Edinburgh Tower, Landmark
 15 Queen's Road Central
 Central, Hong Kong
 Tel: (852) 2315-9500
 Fax: (852) 2721-0033
 Web site: www.wellsfargo.com

Note: This list does not include U.S. restricted license banks, deposit taking companies, and representative offices.

G. TPCC Trade Information Center in Washington

Trade Information Center (TIC)
 International Trade Administration
 U.S. Department of Commerce
 Tel: 1-800-USA-TRADE (1-800-872-2723)
 Fax: (202) 482-4473
<http://www.export.gov/tic>
 E-mail: TIC@tradeinfo.doc.gov

TIC specialists provide basic export counseling and information on export services and programs offered by 20 federal agencies of the Trade Promotion Coordinating Committee (TPCC). The annual report of the TPCC, "The National Export Strategy", designates "the Trade Information Center, situated in the U.S. Department of Commerce, as the single TPCC-wide information office that will coordinate specialized non-agricultural export information offices."

H. U.S. Department of Agriculture

Trade Assistance and Planning Officer (TAPO)
 C. Sloop
 USDA/FAS/TAPO
 Room 4939, South Building
 1400 Independence Avenue SW
 Washington, D.C. 20250
 Tel: (202) 720-7420

Fax: (202) 690-4374
E-mail: tapo@fas.usda.gov
Home Page: <http://www.fas.usda.gov>

U.S. Market Development Cooperator Organizations Represented in Hong Kong

ALASKA SEAFOOD MARKETING INSTITUTE
CALIFORNIA PRUNE BOARD
Trade Liaison China & Hong Kong
Mr. Robin Wang
7B Yi Cui Court, Crest Garden
97 Song Lin Road, Pudong
Shanghai 200120
P.R. China
Tel: (8621) 6875-9971
Fax: (8621) 6875-9961
Internet Homepage: <http://www.alaskaseafood.org>
E-Mail: shengming@sh163.net

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AMERICAN FOREST & PAPER ASSOCIATION, INC.
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Internet Homepage: <http://www.ahec-china.org>
E-Mail: info@ahec-china.org

CALIFORNIA KIWI FRUIT COMMISSION
CALIFORNIA PISTACHIO COMMISSION
CALIFORNIA STRAWBERRY COMMISSION
CALIFORNIA TABLE GRAPE COMMISSION
FLORIDA DEPARTMENT OF CITRUS
PEAR BUREAU NORTHWEST
RAISIN ADMINISTRATIVE COMMITTEE
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COTTON COUNCIL INTERNATIONAL
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NATIONAL RENDERERS ASSOCIATION, INC.
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SUNKIST GROWERS, INC.
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SunKist (Far East) Promotion Limited
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U.S. POTATO BOARD (Fresh)
CALIFORNIA TREE FRUIT AGREEMENT
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Michael Wong & Co.
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U.S. WHEAT ASSOCIATES
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U.S. MEAT EXPORT FEDERATION

Mr. Joel Haggard
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101 Leighton Road, Causeway Bay
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E-Mail: hongkong@usmef.org

USA POULTRY & EGG EXPORT COUNCIL

Ms. Sarah Li, Director of Market Development
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WASHINGTON STATE DEPARTMENT OF AGRICULTURE

WASHINGTON APPLE COMMISSION

NORTHWEST CHERRY GROWERS

Mr. Philander Fan
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Mid-America International Agri-Trade Council (MIATCO)

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Ringe Marketing Service Limited
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CHAPTER 12	MARKET RESEARCH
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A. Industry Sector Analyses

Commercial Service Hong Kong prepares a number of Industry Sector Analyses (ISA) every year. These reports are on subsectors of our Best Prospects or other market segments, which offer good opportunities for US exports. These reports are available on the following web sites: www.export.gov, and www.stat-usa.gov.

In FY 2003 we have submitted (or will be submitting) the following reports:

Industry Code	ISA Topics FY 2003
EDU	Study USA
BLD	Trenchless Technology
CSF	Information Security Solutions
COS	Cosmetics and Toiletries
WRE	Water Treatment Equipment
CSF	Networked Storage Systems
DRG	Diagnostic Test (Medical)
JLR	Jewelry
TEL/TES	Hong Kong's Telecommunications Industry
ACR/BLD	Indoor Air Quality Products
FLM	Hong Kong's Film Industry
LAB	Laboratory and Scientific Equipment

For FY 2004, we plan to complete ISAs on the following topics:

Industry Code	Proposed ISA Topics FY 2004	Due Date
AIR	Heat Recovery System	December 1, 2003
PMR	Plastic Materials and Resins	December 30, 2003
PRT	Port Handling Equipment	December 30, 2003
HTL	Catering Equipment	February 2, 2004
ELC	Integrated Circuits	February 27, 2004
PET	Pet Foods and Pet Supplies	March 31, 2004
BLD	Building Automation	April 30, 2004
GSV	Macau Services Sector	May 31, 2004
SEC	Security & Safety Equipment	May 31, 2004
MED	Cardiological/Cardiovascular Equipment	July 30, 2004

APS	Autoparts	August 31, 2004
TXF	Textiles	August 31, 2004

B. Reports Prepared by FAS

The Agricultural Trade Office (ATO) Hong Kong prepares a broad range of market reports which are available to the public by contacting the Foreign Agricultural Service, through the mail at: PSC 464, Box 17, FPO AP 96521-0006; fax: (852) 2845-0943, or by E-mail at: ATOHongKong@fas.usda.gov. These reports are also available for download at ATO website: www.usfoods-hongkong.net

- Hong Kong's Rice Trade Undergoes Full Liberalization
- Hong Kong Livestock and Products (Semi-Annual Report)
- Hong Kong Poultry and Products (Semi-Annual Report)
- Hong Kong Provincial Government's Deny Presence of H5N1 in China Despite Recent Deaths
- New Requirements for the Importation of Chilled Meats to Hong Kong
- Hong Kong Tobacco and Products (Annual Report)
- Hong Kong Cotton and Products (Annual Report)
- Hong Kong Food and Agricultural Import Regulation and Standards
- Hong Kong Livestock and Products (Annual Report)
- Hong Kong Poultry and Products (Annual Report)
- Hong Kong Exporter Guide
- Hong Kong Promotion Opportunities Annual Report
- Hong Kong Retail Food Sector Report
- Chilled Chickens From China Hit Hong Kong Market

CHAPTER 13	TRADE EVENT SCHEDULE
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A. FY 2003 and FY 2004 Events with Commercial Service Involvement:**FY 2003 Events:**

Event Name: Hong Kong International Film & TV Market (FILMRAT) 2003
 Date of Event: September 24-26, 2003
 Industry Theme: FLM
 Type of Event: Trade Fair Certification
 Event Location: Hong Kong

Event Name: International Travel Expo Hong Kong 2003
 Date of Event: September 25-28, 2003
 Industry Theme: TRA
 Type of Event: Trade Fair Certification
 Event Location: Hong Kong

FY 2004 Events:

Event Name: Electronic Asia 2003
 Date of Event: October 13-16, 2003
 Industry Theme: ELC
 Type of Event: Trade Fair Certification, Catalog Show
 Event Location: Hong Kong

Event Name: The 8th Macau International Trade & Investment Fair (MIF)
 Date of Event: October 24-27, 2003
 Industry Theme: INV
 Type of Event: Product Literature Center
 Event Location: Hong Kong

Event Name: International Hardware & Home Improvement Fair 2003
 Date of Event: October 27-30, 2003
 Industry Theme: BLD, FUR, GIE, HCG
 Type of Event: Trade Fair Certification, Product Literature Center
 Event Location: Hong Kong

Event Name: Cosmoprof Asia 2003
 Date of Event: November 12-14, 2003
 Industry Theme: COS
 Type of Event: Trade Fair Certification
 Event Location: Hong Kong

Event Name: Asia Pacific Conference on Built Environment – Catalog Show
 Date of Event: November 18-19, 2003
 Industry Theme: BLD

Type of Event: Product Literature Center
 Event Location: Hong Kong
 Event Name: Natural Products Asia 2003
 Date of Event: December 3-5, 2003
 Industry Theme: DRG
 Type of Event: Trade Fair Certification
 Event Location: Hong Kong

Event Name: Hong Kong International Franchise & Business Opportunities Expo 2003
 Date of Event: December 5-7, 2003
 Industry Theme: FRA
 Type of Event: Trade Fair Certification
 Event Location: Hong Kong

Event Name: World Boutique, Hong Kong
 Date of Event: January 13-16, 2004
 Industry Theme: APP, FRA, GFT, JLR
 Type of Event: Trade Fair Certification
 Event Location: Hong Kong

Event Name: Hong Kong Information Infrastructure 2004
 Date of Event: March, 2004
 Industry Theme: CPT, CSF, CSV
 Type of Event: Trade Fair Certification, Product Literature Center
 Event Location: Hong Kong

Event Name: Hong Kong International Jewellery Show
 Date of Event: March 2-5, 2004
 Industry Theme: JLR
 Type of Event: Trade Fair Certification
 Event Location: Hong Kong

Event Name: Medical Device Trade Mission to China
 Date of Event: April 19-29, 2004
 Industry Theme: DRG
 Type of Event: Trade Mission
 Event Location: Hong Kong

Event Name: U.S. Aquaculture Technology Mission
 Date of Event: May 23-25, 2004
 Industry Theme: AGC, AGM, AGS
 Type of Event: Trade Mission
 Event Location: Hong Kong

Event Name: International Travel Expo Hong Kong
 Date of Event: June, 2004
 Industry Theme: TRA
 Type of Event: Trade Fair
 Event Location: Hong Kong

Event Name: Natural Products Asia 2004
 Date of Event: June, 2004
 Industry Theme: DRG
 Type of Event: Trade Fair Certification
 Location: Hong Kong

Event Name: Natural Products Trade Mission to China and Hong Kong
 Date of Event: June, 2004
 Industry Theme: DRG
 Type of Event: Trade Mission
 Event Location: Hong Kong

Event Name: Asian Elenex 2004 and Asian Automation 2004
 Date of Event: June 15-18, 2004
 Industry Theme: ACR, BLD
 Type of Event: Trade Fair Certification, Product Literature Center
 Event Location: Hong Kong

Event Name: Hong Kong International Film and TV Market (Filmart)
 Date of Event: June 25-27, 2004
 Industry Theme: FLM
 Type of Event: Post Initiated Promotion
 Event Location: Hong Kong

Event Name: Autoparts 2004 – Catalog Show
 Date of Event: August, 2004
 Industry Theme: APS
 Type of Event: Product Literature Center
 Event Location: Hong Kong

Event Name: New Products USA 2004
 Date of Event: September 16-17, 2004
 Industry Theme: GIE
 Type of Event: International Catalog Exhibition
 Event Location: Hong Kong

(Note: Changes may occur after this listing goes into print. Readers are advised to check with our office if they wish to participate in or attend a particular event.)

B. Trade Events Schedule (August, 2003 – September, 2004)

The following major trade shows are also scheduled for Hong Kong, although the U.S. Commercial Service Hong Kong is not directly involved with them.

August 7-10, 2003
 The 19th International Computer Expo 2003
 Hong Kong Convention & Exhibition Centre
 CMP Asia Ltd.

August 14-18, 2003
 Food Expo 2003

Hong Kong Convention & Exhibition Centre
Hong Kong Trade Development Council
August 28-30, 2003
SignEx 2003 – The 3rd Asian Sign Technology and Materials Exhibition
Hong Kong Convention & Exhibition Centre
Business & Industrial Trade Fairs Ltd.

August 28-30, 2003
Print + Pack Expo 2003 – The 16th International Printing & Packaging Machinery & Materials
Exhibition for Asia
Hong Kong Convention & Exhibition Centre
Business & Industrial Trade Fairs Ltd.

August 28-30, 2003
Graphic Arts 2003 – The 2nd International Graphic Arts Technology Exhibition for Asia
Hong Kong Convention & Exhibition Centre
Business & Industrial Trade Fairs Ltd.

August 29-31, 2003
32nd Wedding Fashion Expo 2003
Hong Kong Convention & Exhibition Centre
Hongkong-Asia Exhibition (Holdings) Ltd.

August 29-31, 2003
CitiHomex 2003
Hong Kong Convention & Exhibition Centre
Hongkong-Asia Exhibition (Holdings) Ltd.

September 3-7, 2003
Hong Kong Watch & Clock Fair 2003
Hong Kong Convention & Exhibition Centre
Hong Kong Trade Development Council

September 17-20, 2003
Asia's Fashion Jewellery & Accessories Fair 2003
Hong Kong Convention & Exhibition Centre
CMP Asia Ltd.

September 17-21, 2003
September Hong Kong Jewellery & Watch Fair 2003
Hong Kong Convention & Exhibition Centre
CMP Asia Ltd.

September 24-27, 2003
Asian IT Expo 2003 – The 14th Asian Information Technology Exhibition
Hong Kong Convention & Exhibition Centre
Adsale Exhibition Services Ltd.

September 25-28, 2003
Mould & Die Asia 2003 – The 3rd International Mould & Die Making and Manufacturing
Technology Exhibition for Asia

Hong Kong Convention & Exhibition Centre
Hong Kong Mould & Die Council, Business & Industrial Trade Fairs Ltd.
September 25-28, 2003
Asian Industrial Expo 2003
Hong Kong Convention & Exhibition Centre
Business & Industrial Trade Fairs Ltd.

September 25-28, 2003
AutoParts & Accessories 2003 – The 3rd International Auto Parts, Accessories, Maintenance and
Inspection Equipment Exhibition
Hong Kong Convention & Exhibition Centre
Hong Kong Auto Parts Industry Association

October 6-8, 2003
Asia Pacific Leather Fair 2003 – Fashion & Finished Products – October Show
Hong Kong Convention & Exhibition Centre
Asia Pacific Leather Fair Ltd.

October 7-9, 2003
Interstoff Asia Autumn International Fabric Show 2003
Hong Kong Convention & Exhibition Centre
Messe Frankfurt (HK) Ltd.

October 13-16, 2003
Hong Kong Electronics Fair 2003
Hong Kong Convention & Exhibition Centre
Hong Kong Trade Development Council

October 21-24, 2003
11th Asian Gifts, Premium & Household Products Show 2003
Hong Kong Convention & Exhibition Centre
Kenfair International Limited

October 21-24, 2003
12th Hong Kong International Toys & Gifts Show 2003
Hong Kong Convention & Exhibition Centre
Kenfair International Limited

October 27-30, 2003
Hong Kong International Lighting Fair 2003
Hong Kong Convention & Exhibition Centre
Hong Kong Trade Development Council

October 29-31, 2003
ASIANA
Hong Kong Convention & Exhibition Centre
Kenfair International Limited

November 1-3, 2003
Hong Kong Wedding & Banquet Expo 2003
Hong Kong Convention & Exhibition Centre

Audace International Fairs Limited

November 5-7, 2003

Hong Kong Optical Fair 2003

Hong Kong Convention & Exhibition Centre

Hong Kong Trade Development Council

November 12-14, 2003

The Natural Health Fair 2003

Hong Kong Convention & Exhibition Centre

Cosmoprof Asia Ltd.

November 27-30, 2003

The 11th Hong Kong International Jewelry Manufacturers Exhibition 2003

Hong Kong Convention & Exhibition Centre

Hong Kong Jewelry Manufacturers' Association

December 20-28, 2003

Hong Kong Mega Showcase

Hong Kong Convention & Exhibition Centre

Hongkong-Asia Exhibition (Holdings) Ltd.

December 26-28, 2003

33rd Christmas Wedding Expo 2003

Hong Kong Convention & Exhibition Centre

Hongkong-Asia Exhibition (Holdings) Ltd.

January 6-9, 2004

Hong Kong Toys & Games Fair 2004

Hong Kong Convention & Exhibition Centre

Hong Kong Trade Development Council

January 6-9, 2004

Hong Kong International Stationery Fair 2004

Hong Kong Convention & Exhibition Centre

Hong Kong Trade Development Council

January 13-16, 2004

Hong Kong Fashion Week for Fall/Winter 2004

Hong Kong Convention & Exhibition Centre

Hong Kong Trade Development Council

January 30 – February 3, 2004

Hong Kong 2004 Stamp Expo (17th Asian International Stamp Exhibition)

Hong Kong Convention & Exhibition Centre

Hong Kong Post

February 19-22, 2004

Education & Careers Expo 2004

Hong Kong Convention & Exhibition Centre

Hong Kong Trade Development Council

February 28 – March 2, 2004
2004 Hong Kong International Fur and Fashion Fair
Hong Kong Convention & Exhibition Centre
Hong Kong Fur Federation

February, 2004
34th Valentine's Wedding Expo 2004
Hong Kong Convention & Exhibition Centre
Hongkong-Asia Exhibition (Holdings) Ltd.

March 12-15, 2004
11th Hong Kong International Packaging Exhibition 2004
Hong Kong Convention & Exhibition Centre
Paper Communication Exhibition Services

March 12-15, 2004
12th Hong Kong International Plastics Exhibition 2004
Hong Kong Convention & Exhibition Centre
Paper Communication Exhibition Services

March 12-15, 2004
16th Hong Kong International Machine Tool – Linkage Industry Exhibition 2004
Hong Kong Convention & Exhibition Centre
Paper Communication Exhibition Services

March 23-25, 2004
Interstoff Asia Spring 2004 International Fabric Show
Hong Kong Convention & Exhibition Centre
Messe Frankfurt (HK) Ltd.

March 29-31, 2004
Asia Pacific Leather Fair 2004 – Fashion & Finished Products – March Show
Hong Kong Convention & Exhibition Centre
Asia Pacific Leather Fair Ltd.

March 29-April 1, 2004
Asia Pacific Leather Fair 2004 – Raw Materials and Manufacturing
Hong Kong Convention & Exhibition Centre
Asia Pacific Leather Fair Ltd.

April 14-17, 2004
Hong Kong Electronics Fair 2004 (Spring Edition)
Hong Kong Convention & Exhibition Centre
Hong Kong Trade Development Council

April 21-24, 2004
Hong Kong Houseware Fair 2004
Hong Kong Convention & Exhibition Centre
Hong Kong Trade Development Council

April 28 – May 1, 2004
Hong Kong Gifts & Premium Fair 2004
Hong Kong Convention & Exhibition Centre
Hong Kong Trade Development Council

April, 2004
Asia Pacific Leather Fair 2004 Fashion & Finished Products – April Show
Hong Kong Convention & Exhibition Centre
Asia Pacific Leather Fair Ltd.

April, 2004
Asia Pacific Leather Fair 2004 – Raw Materials and Manufacturing
Hong Kong Convention & Exhibition Centre
Asia Pacific Leather Fair Ltd.

May, 2004
The 20th International Computer Expo 2004
Hong Kong Convention & Exhibition Centre
CMP Asia Ltd.

June 6-9, 2004
SME Market Day 2004
Hong Kong Convention & Exhibition Centre
Hong Kong Trade Development Council

June 15-18, 2004
Asian Building Technologies 2004 – The International Showcase for Building Automation and Management Systems, Featuring: Asian Facilities Management
Hong Kong Convention & Exhibition Centre
Hong Kong Exhibition Services Ltd.

June 15-18, 2004
Asian Securitex 2004 – The 8th Asian International Security, Safety and Fire Protection Show and Conference
Hong Kong Convention & Exhibition Center
Hong Kong Exhibition Services Ltd.

June 24-27, 2004
June Hong Kong Jewellery & Watch Fair 2004
Hong Kong Convention & Exhibition Centre
CMP Asia Ltd.

June 24-27, 2004
Asia's Fashion Jewellery & Accessories Fair 2004
Hong Kong Convention & Exhibition Centre
CMP Asia Ltd.

June, 2004
5th Beauty & Fitness Expo 2004

Hong Kong Convention & Exhibition Centre
Hongkong-Asia Exhibition (Holdings) Ltd.
June, 2004
35th Summer Wedding Expo 2004
Hong Kong Convention & Exhibition Centre
Hongkong-Asia Exhibition (Holdings) Ltd.

July 6-9, 2004
Hong Kong Fashion Week for Spring/Summer 2005
Hong Kong Convention & Exhibition Centre
Hong Kong Trade Development Council

July, 2004
Hong Kong Book Fair 2004
Hong Kong Convention & Exhibition Centre
Hong Kong Trade Development Council

August, 2004
Food Expo 2004
Hong Kong Convention & Exhibition Centre
Hong Kong Trade Development Council

August, 2004
International Conference & Exhibition of the Modernization of Chinese Medicine & Health Products
Hong Kong Convention & Exhibition Centre
Hong Kong Trade Development Council

August, 2004
36th Wedding Fashion Expo 2004
Hong Kong Convention & Exhibition Centre
Hongkong-Asia Exhibition (Holdings) Ltd.

September, 2004
Hong Kong Watch & Clock Fair 2004
Hong Kong Convention & Exhibition Centre
Hong Kong Trade Development Council

September 19-23, 2004
September Hong Kong Jewellery & Watch Fair 2004
Hong Kong Convention & Exhibition Centre
CMP Asia Ltd.

September 19-22, 2004
Asia's Fashion Jewellery & Accessories Fair 2004
Hong Kong Convention & Exhibition Centre
CMP Asia Ltd.

September, 2004
Asian IT Expo 2004 – The 15th Asian Information Technology Exhibition
Hong Kong Convention & Exhibition Centre

Adsale Exhibition Services Ltd.

September, 2004
Asian Industrial Expo 2004
Hong Kong Convention & Exhibition Centre
Business & Industrial Trade Fairs Ltd.

September, 2004
AutoParts & Accessories 2004 – The 4th International Auto Parts, Accessories, Maintenance and Inspection Equipment Exhibition
Hong Kong Convention & Exhibition Centre
Business & Industrial Trade Fairs Ltd.

September, 2004
Mould & Die Asia 2004
Hong Kong Convention & Exhibition Centre
Hong Kong Mould & Die Council

(NOTE: Changes may occur after this listing goes into print. Readers are advised to check with the organizers directly if they wish to participate in or attend a particular event. More up-to-date information on trade events can also be retrieved from the Hong Kong Trade Development Council homepage at <http://www.tdctrade.com>)

Contact Address for Organizers:

Adsale Exhibition Services Ltd.
4/F, Stanhope House
734 King's Road, North Point
Hong Kong
Tel: (852) 2811-8897
Fax: (852) 2516-5024
E-mail: exhibition@adsale.com.hk
Web site: www.adsaleexh.com

Asia Pacific Leather Fair Ltd.
17/F, China Resources Building
26 Harbour Road, Wan Chai
Hong Kong
Tel: (852) 2827-6211
Fax: (852) 2827-7831
E-mail: info@aplf.com
Web site: www.aplf.com

Audace International Fairs Ltd.
Unit F, 30/F, 8 Hart Avenue
Tsimshatsui, Kowloon
Hong Kong
Tel: (852) 2367-8385
Fax: (852) 2367-8488
E-mail: info@expo.com.hk
Web site: www.expo.com.hk

Business & Industrial Trade Fairs Ltd.
Unit 103-105, New East Ocean Centre
9 Science Museum Road
Tsimshatsui, Kowloon
Hong Kong
Tel: (852) 2865-2633
Fax: (852) 2866-1770
E-mail: enquiry@bitf.com.hk
Web site: www.bitf.com.hk

CMP Asia Ltd.
17/F, China Resources Building
26 Harbour Road, Wan Chai
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E-mail: info@cmpasia.com
Web site: www.cmpasia.com

Cosmoprof Asia Ltd.
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Fax: (852) 2827-7831
E-mail: cosmosia@cmpasia.com
Web site: www.cosmoprof-asia.com

Hong Kong Auto Parts Industry Association
5/F, MTD, HKPC Building
78 Tat Chee Avenue, Kowloon Tong
Kowloon, Hong Kong
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Fax: (852) 2788-5543
E-mail: autopart@hkpc.org
Web site: www.hkapia.com

Hong Kong Computer Society
Room 1915, China Merchants Tower
Shun Tak Centre
168 Connaught Road Central, Central
Hong Kong
Tel: (852) 2834-2228
Fax: (852) 2834-3003
E-mail: hkcs@hkcs.org.hk
Web site: www.hkcs.org.hk

Hong Kong Exhibition Services Ltd.
Unit 2010, 20/F, China Resources Building
26 Harbour Road, Wan Chai

Hong Kong
Tel: (852) 2804-1500
Fax: (852) 2528-3103
E-mail: exhibit@hkesmontnet.com.hk
Web site: www.hkesmontnet.com.hk

Hong Kong Fur Federation
Room 603, 6/F, Chevalier House
45-51 Chatham Road South
Tsimshatsui, Kowloon
Hong Kong
Tel: (852) 2367-4646
Fax: (852) 2739-0799
E-mail: furs@hkfurfed.com.hk
Web site: www.hkfurfed.com.hk

Hong Kong Jewelry Manufacturers' Association
Unit G, 2/F, Kaiser Estate Phase II
51 Man Yue Street, Hung Hom
Kowloon, Hong Kong
Tel: (852) 2766-3002
Fax: (852) 2362-3647
E-mail: hkjma@jewelry.org.hk
Web site: www.jewelry.org.hk

Hong Kong Mould & Die Council
Room 407-411, 4/F, Hankow Centre
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Kowloon, Hong Kong
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Sheung Wan, Hong Kong
Tel: (852) 2921-6112
Fax: (852) 2581-1293
E-mail: spd@hkpo.gcn.gov.hk
Web site: www.hongkongpost.com

Hong Kong Productivity Council
HKPC Building, 78 Tat Chee Avenue
Kowloon Tong, Kowloon
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Fax: (852) 2788-5900
E-mail: hkpcenq@hkpc.org
Web site: www.hkpc.org

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38/F, Office Tower, Convention Plaza
1 Harbour Road, Wan Chai
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Fax: (852) 2824-0249
E-mail: hktdc@tdc.org.hk
Web site: www.tdctrade.com

Hongkong-Asia Exhibition (Holdings) Ltd.
Room 2705, Sino Plaza
255-257 Gloucester Road, Causeway Bay
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Fax: (852) 2573-3311
E-mail: hkexhi@hka.com.hk
Web site: www.hka.com.hk

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Web site: www.messefrankfurt.com

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11 Shing Yip Street, Kwun Tong
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E-mail: info@paper-com.com.hk
Web site: www.paper-com.com.hk

Reed Exhibitions Limited
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E-mail: ask@reedexpo.com.hk

Web site: www.reedexpo.com