

# Consulate General of Switzerland Hong Kong

## Economic Report 2004

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## Economic Report 2004

### 1 Appreciation of the economic problems and issues

#### 1.1 General Overview:

**In 2004 the economy of Hong Kong (HK) grew by a remarkable 8.1% in real terms**, the highest rate in 4 years (well above the average annual rate of 4.8% over the past 20 years) thanks to the upsurge of external and domestic demands, the proactive role of the HK Government to create a conducive environment for business as well as measures initiated by the Central Government in Beijing. Exports of goods grew by 16% while tourism increased by 40% to 21.8 million tourists (who spent US\$11.8 billion (+31%)) when compared with 2003. Private consumption and fixed investment increased by 6.7% and 4.5% respectively in real terms. After 68 consecutive months of deflation, consumer prices rose again since July 2004. For the year as a whole, it still recorded 0.4% deflation rate (2.6 % deflation rate in 2003). The official forecast of inflation rate for 2005 is 1.5%. The unemployment rate fell to 6.8% in 2004 (7.9% in 2003). The contribution of the service sectors to GDP enlarged from 84.9% in 1998 to 88.5% in 2003<sup>1</sup>, while the contribution of manufacturing sector to GDP reduced from 6% to 4.1% over the same period. The property market was buoyant, marked by active trading in both residential and non-residential properties. Overall flat prices have risen by 27% compared with 2004, though still 52% lower than the peak in 1997<sup>2</sup>. According to the ranking results of the Heritage Foundation<sup>3</sup> and the Wall Street Journal, HK was ranked in 2004 as the freest economy in the world for the 10<sup>th</sup> consecutive year.

**HK's integration with Mainland China**, in particular Guangdong Province, has transformed both HK and South China and also catalysed HK as a business and financial centre. Thanks to staunch support of the Central Government, there have been many breakthroughs on Mainland-HK economic linkages over the past two years such as CEPA, streamlining of application procedures for Mainland enterprises to set up business in HK and launch of Individual Visit Scheme tourists from Mainland China. In 2004 their number increased by 45%, reaching 12 million, 56% of total. With growing prosperity in Pearl River Delta, the region is an increasingly important consumer market and the ever closer integration puts HK in the best position to benefit from it. Furthermore, the pan-Pearl River Delta<sup>4</sup> co-operation will strengthen the position of HK as a regional centre for financial services, commerce, information, technology and legal services. This "Mainland China factor" means also competition: HK was still the busiest container port in 2004 (throughput rose by 8% to reach about 22 million TEUs). However more manufactured goods are being shipped directly through Mainland ports rather than indirectly through the HK port.

**Public Finances:** During the fiscal period 2004/2005, HK achieved a **budgetary surplus** of US\$ 2.7 billion (the first surplus since 1999-2000) due to increased tax revenue and cost-cutting efforts in 2004. If taking out the issue of government bonds worth of US\$ 3.3 billion, it recorded a slight deficit of only US\$ 590 million. Given HK narrow tax base and over-reliance on volatile revenue, the HK Government is studying the feasibility to introduce the goods and service tax (GST). Fiscal balance should be achieved in 2007-08.

**Recent developments and outlook:** While the economy has performed well in the first quarter 2005, the trade outlook is increasingly overshadowed by a number of risks in the external environment : sustained high crude oil prices, the Mainland economy may settle back due to the government's recent tightening measures to cool down the overheated property market, should the US dollar continue to strengthen it would entail a relative loss in HK's export competitiveness, the USA took steps to institute safeguard measures against seven categories of textile imports from China, and there is a risk that the EU will do the same.

**Overall, the GDP is expected to attain growth of 4,5-5,5% in real terms in 2005.**

<sup>1</sup> Employment wise, 85.5% of total employment was engaged in service sectors in the first three quarters of 2004.

<sup>2</sup> The rebound of property market on one hand produced wealth effect and raised private consumption and on the other hand revenue from land premiums amounted to US\$ 3.97 billion, more than 2.5 times than original estimate, which much strengthened the Government's coffers.

<sup>3</sup> its duty-free port with no barriers to trade, low level of government intervention in the economy, very low level of inflation, very low barriers to capital flows and foreign investment, very low level of restrictions in banking and finance, low level of intervention in wages and prices, strong property rights, very low level of regulation and a low level of informal market activity.

<sup>4</sup> The Pan-PRD region comprises nine mainland provinces (namely Guangdong, Sichuan, Fujian, Hunan, Jiangsi, Guangxi, Yunan, Guizhou and Hainan), Hong Kong and Macau or in short, "9+2". The Pan-PRD Regional Cooperation Framework Agreement was signed in June 2004.

## 1.2 Recent developments and perspectives

**1.21 Political developments and economic policy :** The resignation of Chief Executive Tung Chee Hwa on 10 March 2005 has been the most far reaching political development in HK since the 1997 handover. Chief Secretary Donald Tsang resigned on 25 May 2005 and launched his bid to be the next Chief Executive. The new Chief Executive will be elected on 10 July 2005 and only serve the remainder of his predecessor's term to 2007. Changes in economic policies are not anticipated. In his Budget Speech (March 2005) Financial Secretary Henry Tang said HK should uphold the principle of "**Market Leads, Government Facilitates**". The vision of the Government is to promote HK as Asia's world City. It aims at **consolidating HK four core industries** (financial services, producer and professional services, trade and logistics, and tourism) and at promoting new growth industries.

**New Growth Areas:** according to the Government "To improve HK 'competitiveness, creativity is important". It therefore offers support to cultural and creative industries, such as funding for film industries and their manpower training. In June 2004, it launched a US\$ 32 million DesignSmart Initiative to strengthen support for design and innovation and promote their wider use in industries. The government intends to provide funding to develop a one-stop centre in Kowloon Tong to encourage creation and clustering of high value-added activities among design professionals and companies.

On pourrait penser qu'il y aurait éventuellement une niche pour le design suisse. Une action de promotion de ce design est prévue à HK à l'horizon 2006 (exposition éventuellement agrémentée de conférence(s)).

## 1.22 Most recent developments

**During the 1<sup>st</sup> quarter of 2005** the growth momentum of the HK economy continued with GDP growing solidly further by 6.0%. On a seasonally adjusted quarter-to-quarter comparison, GDP expanded for the seventh straight quarter, by 1.5% in real terms in the first quarter of 2005. Externally, merchandise exports grew by a further 8.9% in real terms over a year earlier. Exports of services attained a further notable growth at 8.6% in the first quarter over a year earlier. Private consumption expenditure went up further by 4.6% in real terms in the first quarter over a year earlier. Overall investment spending reverted to a 2.2% increase in real terms in the first quarter of 2005. **Not only that investment in machinery, equipment and software resumed positive growth in the quarter**, building and construction activities also turned around to a modest increase after nine straight quarters of fall-off. The seasonally adjusted unemployment rate fell to 6.1% in the first quarter and further to a 41-month low of 5.9% in the three months ending April 2005. In the first four months of 2005, the year-on-year increase in the Composite Consumer Price Index was 0.4%.

La reprise des investissements en bien d'équipements (amorcée en 2004) pourrait représenter un potentiel pour nos fabricants de machines (cf. aussi ch. 3.23). Il y aurait lieu d'analyser quels secteurs sont particulièrement porteurs, en gardant toutefois à l'esprit que l'industrie manufacturière hongkongaise est située dans la province du Guangdong qui devrait bientôt être desservie par une représentation suisse.

**US Dollar peg:** In the biggest overhaul undertaken of the 21-year-old US dollar peg (US\$1 for HK\$7.8), the HK Monetary Authority (HKMA) introduced 3 refinements to the Linked Exchange Rate System on 18 May 2005: **a)** strong-side convertibility undertaking to buy US dollars at an exchange rate of US\$1 for HK\$7.75; **b)** weak-side convertibility undertaking to buy US dollars at an exchange rate of US\$1 for HK\$7.85 in five weekly steps by 20 June 2005; **c)** within the zone defined by the levels of the convertibility zone, the HKMA may choose to conduct market operations aimed at promoting smooth functioning of the Linked Exchange Rate System. The IMF welcomed these 3 refinements, particularly the introduction of a strong-side convertibility undertaking, aimed at removing uncertainty about the extent of appreciation of exchange rate. The immediate effect was the rise of local interest rate and outflow of "hot money" betting on gains arising from a possible appreciation of the Yuan (RMB).

**Drug patent protection:** The HK Association of the Pharmaceutical Industry (HKAPI), which comprises large multinational (incl. Swiss) drug firms, is urging the government to bring drug patent protection in line with international standards. At present, the Department of Health requires registrants to show only that the drugs meet safety, efficacy and quality standards, which automatically qualifies them for local distribution rights. The HKAPI suggested the government to take guidance from the United States, where the Food and Drug Administration maintains a master record of pharmaceutical patents in which drug makers register their products and check for outstanding patent rights.

Ce consulat général suit ce dossier

## 2 International and regional economic agreements

**2.1 HK's policy and priorities:** For the Director-General of Trade and Industry, Mr. R. Young, multilateralism had all along been the cornerstone of HK's economic and trade policy; regional trade agreements (Rtas) would remain at best a supplement to the benefits that HK could gain from a truly open multilateral trading system. In his opinion, the WTO has been an excellent vehicle in the promotion and protection of trade interest of HK. He said that HK had tried its best to contribute to the work of the WTO by being the bridge between different camps; by putting forward honest and practical recommendations that stand a chance of being accepted by all Members; and above all, by pledging HK's full support to the WTO by offering to host the Sixth Ministerial Conference in HK in December 2005. With regard to Rtas, HK is focussing on CEPA's further evolution. The negotiation of the Free Trade Agreement between HK and New Zealand has been frozen.

### 2.2 The Closer Economic Partnership Arrangement (CEPA)

The Closer Economic Partnership Arrangement (CEPA), the first ever Rta signed between the Mainland and HK, was signed on 29 June 2003 and its second phase CEPA II was signed on 27 August 2004.

CEPA I & II offer zero import tariff status for 1,087 categories of HK goods and provide preferential market access to services and service suppliers of HK in a total of 26 service areas. It gives HK's service suppliers a "first mover" advantage and wider access to the Mainland. Both sides have put in place co-operative measures for trade and investment facilitation.

Any company or service provider of any nationality can apply as a HK Service Supplier or a Cepa-qualified company if i) it is incorporated in HK ; ii) it has operated for 3-5 years (depending on sectors); iii) it is liable to pay HK profits tax and iv) it employs 50% of its staff locally. On the other hand, to claim zero import tariff must meet the criteria of " Made in HK " by satisfying process-based origin rules, " Change in tariff trading " or " 30% value-added requirement ". Detailed information on CEPA is available at the website <http://www.tid.gov.hk/english/cepa/index.html>.

According to Mr. R. Young, HK and the Mainland had taken extra care to ensure that the CEPA would be fully consistent with the WTO requirements on Rta. The first examination exercise of the CEPA by WTO Members was concluded in Geneva recently, and HK will continue to fully cooperate with the WTO Members in the remaining examination process of CEPA.

### CEPA - Outlook for Switzerland

According to the information in our possession, some Swiss companies in HK take advantage of the CEPA and have been qualified as HK Service Suppliers under CEPA and operating their business in Mainland. They admit that China is a different and difficult business environment. Bureaucracy, legal system, sophisticated tax regime and unpredictable modification of rules and regulations are some of the puzzles they have to deal with. However their presence on this market enables them to operate their business directly and follow the economic development right on the spot which might give them an advantage in the middle-term.

**2.3 Other Agreements :** In 2004, the HK Government signed a second Memorandum of Understanding on co-operation in information and communications technology with the United Kingdom and various Air Services Agreements (ASA) with various countries (Kuwait, Iceland, Jordan).

## 3 Foreign trade

### 3.1 Development and general outlook

#### 3.11 Trade in goods

According to the HK Trade Development Council, HK's total exports reached US\$ 259 billion and increased by 16% in 2004, comprising a robust expansion of re-exports on the back of the fast-growing intra-Asia trade of raw materials and semi-manufactures. HK's major export markets were Mainland China, the US, the EU and Japan. They respectively made up 44%, 17%, 14% and 5% of HK's total exports in 2004. During the period, HK's total exports to the Chinese mainland, the EU and Japan surged by 20%, 18% and 14% respectively, while export growth for the US market was slower at 5.4%. HK's trade performance is in part fuelled by outward processing activities in Guangdong where the majority of HK companies have extended their manufacturing base. In 2004, 44% of HK's total exports to the Chinese mainland were related to outward processing activities. Major export products were electrical machinery and apparatus (20%),

telecom equipment (14%), office machines and computers (11%), clothing (9.7%), textiles (5.5%) and toys (4.4%).

In 2004, imports of HK totalled to US\$ 271 billion and increased by 17% on the strength of a robust expansion of re-exports and domestic spending. Major supplier countries were Mainland China (44% of total imports, increased by 17% year-on-year (yoy)), Japan (12% of total, increased by 20% yoy), the EU (8% of total, increased by 10% yoy), Taiwan (7% of total, increased by 23% yoy). Major import products were electrical machinery and apparatus (22%), telecom equipment (13%), office machines and computers (10%), clothing (6.3%) and textiles (5.2%).

**Regulations** : HK is a free port which maintains no tariffs<sup>5</sup> and no regulatory measures impinging on international trade other than those required to discharge international obligations or to protect health, environment and access to hi-technology.

The Food and Drugs (**Composition and Labelling**) (Amendment) Regulation 2004 was enacted on 9 July 2004 to improve existing legislation in particular on a) labelling of allergenic substances; b) labelling of food additives; and c) labeling of date format. Should Swiss food exporters have any enquiry on this matter, please contact Food Surveillance and Certification Section, Food and Environment Hygiene Department (43/F., Queensway Government Offices, 66 Queensway, HK tel: 852/2867 5575, fax: 852/2521 4784 website: <http://www.fehd.gov.hk> e-mail: [enquiries@fehd.gov.hk](mailto:enquiries@fehd.gov.hk))

**Removal of quotas on textiles** : The four-decade long textile quota system came to an end, effective from 1 January 2005, as agreed in the WTO Agreement on Textiles and Clothing (ATC). According to a major business association in HK, the original perception was a possible further shrinkage of local textile industry. However, since there are risks of re-imposing protectionist measures by the US and the EU against Chinese textiles recently, a moderate growth of local textile industry is anticipated. Given the high cost of production in HK, the products have to be enhanced to high value-added categories.

### 3.12. Trade in services

Exports of services reached about US\$ 52.3 billion, grew by 15% yoy in real terms in 2004. Trade-related services (36% of total exports of services), transportation services (32% of total exports of services), travel services (17% of total exports of services) and finance, business and other services (15% of total exports of services) grew by 15%, 17%, 19% and 7% respectively.

In 2003 (latest available information), exports of services by main destinations were Mainland China (US\$ 13 billion, 29% of total, 8% growth yoy), the US (US\$ 9.5 billion, 21% of total, 5% growth yoy), Japan (US\$ 3.2 billion, 7% of total, 15% drop yoy) and Taiwan (US\$ 3.2 billion, 7% of total, 15% growth yoy).

Import of services amounted to US\$ 28.8 billion, increased by 11% yoy in real terms in 2004. Trade-related services (9% of total imports of services), transportation services (26% of total imports of services), travel services (45% of total imports of services) and finance, business and other services (20% of total imports of services) grew by 13%, 16%, 10% and 4% respectively.

In 2003 (latest available information), imports of services by main sources were Mainland China (US\$ 7.4 billion, 29% of total, 5% drop yoy), the US (US\$ 4.2 billion, 16% of total, 4% growth yoy), Japan (US\$ 2 billion, 8% of total, 5% growth yoy) and the UK (US\$ 1.8 billion, 7% of total, 6% growth yoy).

## 3.2 Bilateral trade

### 3.21 Trade in goods

According to the Swiss Federal Customs Administration, **Swiss exports** to HK totalled **Sfr. 4 billion** (increased by 1.8%) in 2004. Major Swiss exports included watches and clocks (40%, Sfr. 1.6 billion), jewellery & precious metal (32% of total, Sfr. 1.3 billion in value), chemical products (7.4% of total, Sfr. 301 million), non-electrical machinery (5.7%, Sfr. 232 million), electrical machinery (4%, Sfr. 165 million), textiles and garments (2%, Sfr. 80 million) and instruments (1.9%, Sfr. 78 million).

HK was the **second largest Swiss export market in Asia** in 2004 (accounted for 2.8% of total Swiss exports), next to Japan. There was remarkable growth in exports of watches and clocks (+15.6%), electrical machinery (+23.7%), non-electrical machinery (15.9%) and textiles and garments (16.1%).

HK's total exports to Switzerland reached Sfr. 822 million (increased by 27%) in 2004. Major total exports included jewellery & precious metal (48% of total, Sfr. 392 million in value), watches and clocks (22%, Sfr.

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<sup>5</sup> There is no tariff on general imports except duty on liquors, tobacco, hydrocarbon oil and methyl alcohol.

179 million), non-electrical machinery (9.4%, Sfr. 77 million), electrical machinery (8.8%, Sfr. 72 million) and textiles and garments (6.9%, Sfr. 56 million).

### 3.22 Trade in services

According to the Census and Statistics Department, HKSAR Government, in 2003 (latest available information), HK's exports of services to Switzerland amounted to US\$ 432 million (+3.7% yoy, 0.9% of total) It consisted of transportation (US\$ 128 million), travel (US\$ 13 million), financial services (US\$ 34 million), merchanting and other trade-related services (US\$ 125 million) and other services (US\$ 128 million).

HK's imports of services from Switzerland reached to US\$ 217 billion (+46% yoy, 0.8% of total) in 2003. It consisted of transportation (US\$ 31 million), travel (US\$ 34 million), insurance services (US\$ 32 million), financial services (US\$ 16 million), merchanting and other trade-related services (US\$ 0.2 million) and other services (US\$ 102 million). There was noticeable growth in insurance services (10 times than 2002) and financial services (3.4 times than 2002).

### 3.23 Perspectives

The HK economy entered into a full-fledged upturn in 2004, marked by thriving exports and offshore trade, vibrant inbound tourism, strong pick-up in consumer spending and visible bounce-back in investment. Investment in **industrial machinery for manufacturing use**, which had been declining in recent years, rebounded significantly (+12%, amount US\$ 20.7 billion). **Swiss equipment** applicable in textile and clothing industry, electronic industry, toy industry, watch industry and printing industry may find potential buyers. For consumer goods, all renowned brands from all over the world are well presented here. Swiss products, such as **watches, jewellery, clothing, footwear, leather goods and skin care products**, enjoy excellent reputation in the market. They are not only appealing to **local consumers** (the HK resident population is expected to increase at an annual average rate of 0.7% from 6.80 million in mid-2003 to 8.38 million in mid 2033), but also winning popularity among **tourists**, in particular from Mainland China (tourists from Mainland China, reached 12 million - 56% of total and increase by 45% - in 2004 ). HK, to Mainland tourists, is a window of the world.

Swiss financial services and insurance services are renowned and having comparative advantage in HK. Since HK wants to position itself as a logistic hub and some infrastructure projects such as the HK-Zhuhai-Macao Bridge which links between HK and the west bank of Pearl River delta are on the agenda, it will offer a lot of opportunities for Swiss logistics companies

## 4 Direct Investments and portfolio investments

### 4.1 Development and general outlook

According to the Census and Statistics Department, HKSAR Government, at the end of 2003, the stock of HK's inward direct investments was up by 13% to US\$380 billion. Major investor countries were British Virgin Islands BVI (US\$ 120 billion or 32% of total, grew by 20% yoy), China (US\$ 99 billion or 26% of total, grew by 30% yoy), the Netherlands (US\$ 33 billion or 9% of total, grew by 25% yoy), Bermuda 33 billion or 9% of total, dropped by 7% yoy) and the US (US\$ 24 billion, 6% of total, no significant change yoy).

The ratio of inward and outward direct investments were 243% and 216% of GDP respectively in 2003. It reflected HK as a highly externally oriented economy and an important business centre in the region with substantial cross-boundary investment. The highly ranked BVI and Bermuda reflected a common practice of HK and foreign enterprises in setting up non-operating companies in these offshore financial centres (known as tax haven economies) for channeling direct investment funds back to HK.

China featured highly both as a destination for HK's outward direct investment (US\$ 119 billion or 35% of total, 2<sup>nd</sup> ranked after BVI) and as a source of HK's inward direct investment (as mentioned earlier), well commensurate with the role of HK as a spring-board for conducting business between the Mainland and the rest of the world.

According to the IMF, inward portfolio investments to HK reached US\$ 335 billion in 2003. Major investor countries were the UK (49 billion or 15% of total, grew by 40% yoy), the US (US\$ 47 billion or 14% of total, grew by 26% yoy), Cayman Islands (US\$ 39 billion or 12% of total, grew by 45% yoy), Bermuda (US\$ 37 billion or 11% of total, grew by 59% yoy) and Australia (US\$ 26 billion or 8% of total, grew by 19% yoy).

There is no restriction on inward and outward investments nor nationality restrictions on corporate or sectorial ownership.

## **4.2 Bilateral investment flows**

### **4.2.1 Swiss Direct Investments in HK**

The foreign direct investment statistics (FDI) have been enhanced in coverage in accordance with international standards and practices from reference year 1998. Comparable FDI statistics prior to 1998 are therefore not available.

According to the Census and Statistics Department (CSD) of the HKSAR Government, Swiss direct investments in HK have seen some fluctuations : US\$ 1.8 billion (ranked 12<sup>th</sup>) in 1998, US\$ 2.7 billion (ranked 10<sup>th</sup>) in 1999, US\$ 2.5 billion (ranked 13<sup>th</sup>) in 2000, US\$ 2 billion (ranked 14<sup>th</sup>) in 2001, US\$ 2.4 billion (ranked 14<sup>th</sup>) in 2002 and US\$ 2.7 billion (ranked 11<sup>th</sup>) in 2003.

Owing to confidentiality, the CSD is not in a position to disclose the sectors of Swiss direct investments.

Since service industries are so predominant in the local economy and HK wants to position itself as a trade, logistic and tourist hub as well as a service centre and funding centre for Mainland China in particular, sectors such as banking, finance, insurance, logistics, tourism-related industries, business services and trading will be of good potential for Swiss investments.

At present, there are about 160 companies with Swiss interests in HK. They are classified in various sectors : banking, chemicals & pharmaceuticals, consultants, electronics, foodstuffs, freight forwarding, inspection, insurance, machinery / engineering, textiles & garments, watches / jewellery and trading houses, etc..

The number of regional headquarters and regional offices established in HK increased by 13.7% and 12% respectively on June 1<sup>st</sup> 2004 over a year earlier to new highs of 1098 and 2511. As to Swiss companies, 39 (40 in 2003) of them have their regional headquarter, and 70 (61 in 2003) of them have their regional in HK.

The Swiss Business Council in HK conducted a business confidence survey in 2004. According to the survey, there is a strong feeling that business conditions should improve in 2005 (59% respondents expect better conditions, 41% respondents expect the same and none expect worse). Although 39% respondents will be expanding their labour forces, 51% respondents remain unchanged whereas 10% respondent will cut some staff. HK is holding its own in terms of its importance for the Asian business of Swiss companies in HK (33% respondents expect increasing importance of HK, 53% respondents anticipate no change and 14% expect diminishing importance of HK). Nevertheless, respondent companies are not complacent about the future. There is a large degree of confidence in HK's ability to retain/enhance its role as a regional center. But most types of business sense vulnerabilities, with import/export and distribution companies being particularly cautious.

### **4.2.2 HK direct investments in Switzerland**

According to the CSD, the outward direct investments from HK to Switzerland for 2002 and 2003 were US\$ 1.49 billion (ranked 14<sup>th</sup>) and US\$ 780 million (ranked 17<sup>th</sup>) respectively. Due to confidentiality the CSD is not in a position to disclose the sectors of outward direct investments from HK to Switzerland. The corresponding statistics for 1998 to 2001 are not released because of insignificant value.

## **5 Trade, economic and tourist promotion “ Country advertising “**

### **5.1 Foreign Economic promotion Instruments**

The Consulate General of Switzerland, the Swiss Business Council, Switzerland Tourism and the Federation Horlogère are in charge of promoting Swiss economic interests in HK. 2004 has been marked by the promotion campaign “Switzerland Greets Hong Kong” (October 2004-March 2005).

**5.11 The Swiss Business Council in Hong Kong (SBC)** aims at promoting Swiss business interests in HK and at acting as a discussion forum for members to exchange views, share insights and seek advice. The organisation's membership is open to Swiss individuals working in HK, as well as to Swiss companies in HK and companies that have strong ties with Switzerland. It publishes a monthly electronic newsletter covering current issues that are shaping the business environment in HK. Together with the Swiss Association of HK (an organisation fostering friendship and contact among the 1'300 strong local Swiss community) the SBC

organizes monthly luncheons with guest speakers and other valuable occasions to exchange information and ideas. Lately the SBC has been enhancing its support to SME's in organising workshops tailored to their particular needs (Finance Networking Workshop with topics such as Government funding/sponsoring schemes, China Networking Workshop, etc.). Since a prime business concern of their members for 2005 lies in the protection of environment, one of the SBC's current objectives is to contribute in finding solutions in issues related to environmental matters and particularly to the air pollution in the Pearl River Delta. The Consulate General has a close co-operation with the SBC, for example through the participation representatives of the Consulate General at Committee meetings, or through industry luncheons organised jointly to allow exchanges of views between representatives of various business sectors. The Consulate General often refers Swiss companies interested in the HK or the China market to the expertise and advice of SBC members. The SBC has furthermore been an important partner for the organisation of some events of Switzerland Greets Hong Kong (see 5.13 hereafter) such as Swiss Kwai Fong or the Swiss Banking Lectures Series. Within the framework of a closer co-operation, the SBC, Swiss Cham China and the Swiss Business Hub in China jointly published a membership directory in 2005.

**5.12 Switzerland Tourism** has been another important partner of the Consulate General in the organisation of Switzerland Greets Hong Kong (sponsoring of the "Swiss Kwai Fong" event together with the Matterhorn and Lake Geneva Region, lecture by their new regional director Mr. Roger Zbinden (based in Tokyo) at the HK Polytechnic University). Switzerland Tourism organized numerous promotion activities in 2004, like the Swiss Travel Experience with 100 agents invited for a workshop at the Sheraton Hotel. They arranged 15 journalists in 6 media trips and 1 agent educational trip to Switzerland for the HK market. According to Switzerland Tourism HK, "Mountains and Destinations" (mature market) are well developed on the HK market, as well as travelling by train. Lots of summer camps products are launched here. Winter market: skiing in Switzerland is growing steadily.

### 5.13 Fédération horlogère

The Bienne based Federation of the Swiss Watch industry (FH) is a private, professional and non-profit association aiming to defend the watch industry's interests and contribute to its development. Their HK office has regular contacts with watch importers and manufacturers and represent their interests on various matters. One of their activities is the protection of their members intellectual property rights in Asia (copies, abuse of "Swiss made", trademark infringements, etc.). In HK and Asia, the Federation organises various promotions including exhibitions, buyer's guides, diaries, etc. They also launched a watch collector's club called "The Art of Time Club" as well as a website on the watch industry ([www.theartoftime.com](http://www.theartoftime.com)). The FH also contributed to the success of Switzerland Greets Hong Kong with the exhibition "Swiss Watch Excellence".

### 5.14 Switzerland Greets Hong Kong (SGHK)

Between October 2004 and March 2005, the Consulate General of Switzerland in co-operation with many Swiss - including the instrumental and strong support of *Présence Suisse* - and local institutions presented a series of some forty events of commercial, economic, cultural, academic and scientific nature under the motto "Switzerland greets Hong Kong". It aimed at showcasing HK some of the core values which define Swissness, such as quality, innovation and well being. Through an impressive array of exhibitions, concerts, theatre and ballet performances, films as well as lifestyle and educational events, *SGHK* represented a multidimensional networking platform. It was used by the Consulate General of Switzerland to consolidate economic relations and to establish a new policy of academic, scientific and cultural exchanges. With regard to **business, trade and economy** *SGHK* included the following events :

**Swiss Watch Excellence** : an exhibition which offered a panoramic view of the Swiss watch-making industry organized by the FH and enhanced by an exhibition of watches by Desco (Audemars Piguet, Maurice Lacroix, etc.). **Swiss Banking Lectures Series**: thanks to the patronage of the Swiss Bankers Association and to the input of six Swiss banks active in HK, students of three academic partners (The University of HK, The Chinese University of HK and The HK University of Science and Technology) have been introduced through 8 lectures to the fine art of Swiss banking. **Welcome to the Swiss-Hong Kong Business Association delegation**: To complement seminars "Hong Kong – your fast track to China" held in April 2004 in Lausanne and Zurich and organized in partnership with the Hong Kong Trade Development Council, Swiss SME's visited HK and the Pearl River Delta within the framework of a business mission with the newly established Switzerland based Swiss-Hong Kong Business Association. **Invest HK salutes the Swiss Business Community**: Invest Hong Kong held a reception to thank Swiss business people for their support for HK and to promote HK as an attractive investment site to Swiss companies. **Made in Switzerland Specialties, Swiss food celebration**: A cooking demonstration using Swiss specialties kicked off the promotion of Swiss Quality Food at HK retail outlets (Great and 6 selected ParknShop) . Shoppers could experience new flavours as some of the products were introduced to HK for the first time. **Lectures : By Urs Schöttli** (journalist with the NZZ) **"The Swiss Experience with transborder Regional Integration**. Are

there any experiences that can be relevant for the Pearl River Delta Integration?" **By Roger Zbinden** (Polytechnic University, School of Hotel Management) : **Strategic Importance of Tourism in Switzerland. The Swiss Insurance Industry** (Winterthur Life Hong Kong and Zurich Insurance Group (Hong Kong) ) organized a trip to Switzerland to introduce the HK specialized press to the art of Swiss Insurance. Beside insurance companies, the media representatives also met Ambassador Eric Martin, Head of the Economic and Financial Affairs Division of the Federal Department of Foreign Affairs.

**5.2 Swiss education** : To promote their institutions, representatives of Swiss private schools are regularly travelling to HK. A Swiss alumni gathering was organized during SGHK. The Consulate General of Switzerland in HK intends to intensify the promotion of Switzerland as a place for education by the means of an education fair and by fostering exchanges between universities.

**5.3 The Swiss Financial Centre:** a delegation of the Swiss Bankers Association, headed by their CEO, Mr Urs P Roth visited HK to promote Switzerland as a Centre of Excellence in Global Banking. Mr Roth gave a lecture within the framework of SGHK, at the opening ceremony of the Swiss Banking Lectures Series. He also met with representatives of Swiss banks, of the Government, of the Hong Kong Monetary Authority and of the medias.

**5.4 Location Switzerland:** Mr. Thomas Holenstein (LS:Directorate China) paid a visit to HK where he met, among others, representatives of Invest HK and of the Hong Kong General Chamber of Commerce. HK might be a possible sourcing place since companies of Mainland China are making their first step towards internationalization in HK.

Il appartient maintenant au Consulat général de poursuivre ses bonnes relations avec les acteurs suisses précités et présents sur la scène hongkongaise et de capitaliser sur le réseau de relations renforcé ou mis en place notamment par le biais de la campagne de promotion « Switzerland Greets Hong Kong »

## 6 Useful internet links

### Government agencies:

- HKSAR Government Information Centre (<http://www.info.gov.hk/eindex.htm>)
- Commerce, Industry & Technology Bureau (<http://www.citb.gov.hk>)
- HK Economic and Trade Office, London (which is responsible to promote HK's interest in Switzerland (<http://www.hketolondon.gov.hk>))
- Economic Development and Labour Bureau (<http://www.edlb.gov.hk>)
- Trade and Industry Department (<http://www.tid.gov.hk>)
- Census & Statistics Department (<http://www.info.gov.hk/censtatd>)
- Invest Hong Kong (<http://www.investhk.gov.hk>)
- Customs and Excise Department ([www.customs.gov.hk](http://www.customs.gov.hk))
- Doing Business in Hong Kong (<http://www.business.gov.hk>)
- Hong Kong Monetary Authority (<http://www.info.gov.hk/hkma>)
- Office of the Commissioner of Insurance (<http://www.info.gov.hk/oci>)
- Intellectual Property Department (<http://www.info.gov.hk/ipd>)

### Statutory trade promotion bodies :

- Hong Kong Trade Development Council (<http://www.tdctrade.com>)

### Chambers and Associations:

- Swiss Business Council in HK (<http://www.swiss-biz.org>)
- Swiss Association of Hong Kong (<http://www.swiss-hk.com>)
- Federation of the Swiss Watch Industry, Hong Kong Office (<http://www.theartoftime.com>)
- Hong Kong General Chamber of Commerce (<http://www.chamber.org.hk>)
- Federation of Hong Kong Industries (<http://www.fhki.org.hk>)
- Chinese General Chamber of Commerce (<http://www.cgcc.org.hk>)
- Chinese Manufacturers' Association (<http://www.cma.org.hk>)

### Newspapers and press agencies:

- South China Morning Post (<http://www.scmp.com>)
- The Standard (<http://www.thestandard.com.hk>)
- Asian Wall Street Journal (<https://www.ajs.com.hk>)
- Xinhua News Agency (<http://www.chinaview.cn>)

- Trade exhibitions calendar : (<http://www.tdctrade.com/exh-con>)

\*\*\*\*\* The End \*\*\*\*\*

May 24, 2005

**Annex 1**

**Structure of Economy**

	<b>1998</b>	<b>2003</b>	<b>Variation</b>
<b>Spreading GDP (%)</b>			
Primary Sector	0.1%	0.1%	+/- 0
Secondary Sector	14.9%	11.4%	-24%
Tertiary Sector	85%	88.5%	+4%
- Part of Public Services	n.a.*	n.a.*	n.a.*
<b>Spreading Employment</b>			
Primary Sector	0.5%	0.3%	-40%
Secondary Sector	19.5%	14.5%	-26%
Tertiary Sector	80%	85.2%	+6.5%
- Part of Public Services	n.a.*	n.a.*	n.a.*

\*n.a. = not available

Source: Census and Statistics Department, HKSAR

Annex 2

Représentation suisse à: Hong Kong	
Pays: Hong Kong SAR, China	Date de la dernière mise à jour: 24 May 2005

**Principales données économiques**

	2003 <sup>[1]</sup>	2004 <sup>[2]</sup>	2005 <sup>[3]</sup>
<b>PIB</b> (USD mia)	156	164	172 a
<b>PIB/habitant</b> (USD)	23,000	23,900	24,581 a
<b>Taux de croissance</b> (% du PIB)	3.2	8.1	4.5-5.5 b
<b>Taux d'inflation</b> (%)	-2.6	-0.4	1.5 b
<b>Taux de chômage</b> (%)	7.9	6.8	5.8 a
<b>Solde budgétaire</b> (% du PIB)	3.3	N.A.	0.8 b
<b>Solde des transactions courantes</b> (% du PIB)	10	16 c	9.6 a
<b>Dette extérieure totale</b> (% du PIB)	nil	1 c	unavailable
<b>Service de la dette</b> (% des exportations)	nil	unavailable	unavailable
<b>Réserves</b> (mois d'importations)	23	21	unavailable

**Source:** Census and Statistics Department of HKSAR Government, Hong Kong Trade Development Council, IMF

<sup>a</sup> forecast by the IMF

<sup>b</sup> forecast by the HKSAR Government

<sup>c</sup> July-Sept. 2004

<sup>[1]</sup> Année précédant celle prise en compte par le rapport annuel

<sup>[2]</sup> Année faisant l'objet du rapport annuel

<sup>[3]</sup> prévision pour l'année suivant celle faisant l'objet du rapport annuel

Annex 3

Représentation suisse à: Hong Kong	
Pays: Hong Kong SAR, China	Date de la dernière mise à jour: 24 May 2005

**Partenaires économiques 2004**

	<b>Pays</b>	<b>Exportations (USD millions) par le pays de résidence</b>	<b>Part (%)</b>	<b>Var.* (%)</b>
1	China	113,916	44	+20
2	USA	43,795	17	+5
3	Japan	13,788	5.3	+14
4	UK	8,443	3.3	+15
5	Germany	8,064	3.1	+12
6	Taiwan	6,296	2.4	+16
7	Korea Rep	5,650	2.2	+24
8	Singapore	5,587	2.2	+22
	UE	36,215	14	+18
23	<b>Suisse</b>	<b>1,198</b>	<b>0.5</b>	<b>+14</b>
	Total	258,861	100	+16
	<b>Pays</b>	<b>Importations (USD millions) par le pays de résidence</b>	<b>Part (%)</b>	<b>Var.* (%)</b>
1	China	117,728	44	+17
2	Japan	32,839	12	+20
3	Taiwan	19,719	7.3	+23
4	USA	14,358	5.3	+13
5	Singapore	14,229	5.3	+23
6	Korea Rep	12,880	4.8	+15
7	Malaysia	6,659	2.5	+16
8	Germany	5,128	1.9	-3
	UE	21,847	8.1	+10
13	<b>Suisse</b>	<b>3,475</b>	<b>1.3</b>	<b>+17</b>
	Total	270,657	100	+17

\*Variation par rapport à l'année précédente

**Sources** : Census & Statistics Department, HKSAR  
 Hong Kong Trade Development Council

## Annex 4

## Relations économiques bilatérales avec Hong Kong

### Accords économiques

- Hong Kong est partie contractante de l'OMC et l'est restée depuis le 1er juillet 1997 (nos relations bilatérales sont donc régies par l'OMC).
- Accord concernant la [promotion et la protection réciproque des investissements](#) du 22.9.1994, entré en vigueur le 22.10.1994.
- Accord relatif aux [services aériens](#) (signé le 26.1.88, entré en vigueur 1.1.93)
- Accord sur la suppression réciproque des [suppression réciproque des visas](#) (+ accord de **réadmission** (entrés en vigueur le 1.5.2000)
- Accord d'entraide judiciaire en matière pénale (signé le 15.3.1999, entré en vigueur le 16.10.2002)<sup>1</sup>.

### Echanges commerciaux

En 2004, Hong Kong (avec 2.76% du total de nos exportations) a représenté en Asie notre 2<sup>ème</sup> partenaire commercial - respectivement 1<sup>er</sup> partenaire si on considère globalement ces chiffres et ceux du commerce avec la Chine - après le Japon (4.85% des exportations suisses). **A noter qu'un courant significatif s'est développé entre la Suisse et la Chine via HK (montres et chimie spécialement).**

Alors que HK subissait le coup de frein général suite au 11 septembre 2001, nos relations commerciales bilatérales, quant à elles et malgré la morosité caractérisant le climat économique au plan mondial, retrouvaient non seulement un dynamisme réjouissant, mais encore surpassaient les meilleurs résultats engrangés jusque-là. Suite aux impacts du SRAS, l'année 2003 marque toutefois un fléchissement dans le courant d'échanges.

### Evolution des échanges<sup>2</sup>

Année	Exportations (CHF mio)	Variation annuelle	Importations (CHF mio)	Variation annuelle	Solde
1990	2'265	4.3%	902	-17.3%	1'363
1995	2'843	-10.0%	642	-4.3%	2'201
1999	2'912	13.5%	656	-7.0%	2'256
2000	3'842	31.9%	895	36.3%	2'947
2001	4'039	5.1%	679	-24.1%	3'360
2002	4'479	10.9%	824	21.3%	3'655
2003	4'002	-10.7%	648	-21.3%	3'353
2004	4'073	1.8%	822	26.6%	3'251

### Répartition par produits

Exportations	2003 (% du total)	2004 (% du total)
1. Pierres précieuses, bijouterie <sup>3</sup>	37.9	31.5
2. Montres	35.5	40.3
3. Machines	8.3	9.8
4. Produits chimiques	7.9	7.4

<sup>1</sup> Premier accord de ce genre entre la Suisse et un pays asiatique

<sup>2</sup> Source: Administration fédérales des douanes

<sup>3</sup> dont: diamants 14.3%

Sur le plan de l'importance des marchés pour les exportations horlogères suisses, les 3 premiers débouchés sont traditionnellement: les USA, HK et le Japon. Avec FS 1'6 mia (+ 15.6%), les résultats de HK repartent à la hausse en **2004** (excellente édition de Baselworld après l'épisode SARS 03). A noter qu'en sens inverse, la Suisse importe pour l'essentiel des boîtes et des bracelets de montres, (produits en grande partie en Chine et transitant par HK) / Valeur totale atteinte en 2002 :243 mio de FS).

<b>Importations</b>	<b>2003</b> <i>(% du total)</i>	<b>2004</b> <i>(% du total)</i>
1. Pierres précieuses, bijouterie <sup>4</sup>	40.7	<b>47.7</b>
2. Horlogerie	29.5	<b>21.8</b>
3. Machines	14.5	<b>18.2</b>
4. Textiles et vêtements	7.5	<b>6.9</b>

#280113.1

<sup>4</sup> dont: platine 18.4%

Annex 5

Représentation suisse à: Hong Kong	
Pays: Hong Kong SAR, China	Date de la dernière mise à jour: 24 May 2005

**Principaux investisseurs 2003**

Rang	Pays	Investissements directs (USD billion) (stock)	Part	Variation (stock)	Variation (USD billion) (flux)
1	British Virgin Islands	119.9	32%	20%	2.5
2	China	98.7	26%	30%	4.9
3	Netherlands	32.9	8.7%	25%	3.2
4	Bermuda	32.7	8.6%	-6.7%	-1.7
5	USA	24	6.3%	0.5%	2.8
6	Japan	18.2	4.8%	0.6%	1.8
7	Singapore	7.4	1.9%	-21%	-1.3
8	Cayman Islands	6.8	1.8%	18%	0.4
9	UK	6.2	1.6%	-14%	0.6
10	Panama	3.5	0.9%	4.7%	0.2
	UE	44.3	12%	14%	4.2
11	Suisse	2.7	0.7%	11%	-
	Total	379.5	100 %	13%	13.6
Rang	Pays	Investissements de portefeuille (USD billion) (stock) <i>si statistiques disponibles</i>	Part	Variation (stock)	Variation (USD) (flux)
1	UK	48.6	14.5%	40%	unavailable
2	USA	46.7	14%	26%	unavailable
3	Cayman Islands	38.6	11.5%	45%	unavailable
4	Bermuda	36.6	11%	59%	unavailable
5	Australia	25.7	7.7%	19%	unavailable
6	China	19.7	5.9%	140%	unavailable
7	Luxembourg	10.8	3.2%	21%	unavailable
8	Japan	10.4	3.1%	19%	unavailable
9	Germany	10.4	3.1%	11%	unavailable
10	Republic of Korea	10	3%	34%	unavailable
	UE	97.9	29%	33 %	unavailable
	Suisse	0.9	0.3%	67%	unavailable
	Total	335	100%	37%	unavailable

**A) Swiss Companies in Hong Kong**

4M Systems Ltd.  
ABB Asia Pacific Ltd.  
ABB (Hong Kong) Ltd.  
Adecco Personnel Ltd.  
Agie Charmilles China (HK) Ltd.  
Ascom Asia Pacific Ltd.  
Atlantic Forwarding (China) Ltd.  
Audemars(Hong Kong) Ltd.  
AWM Swiss Technology Ltd.  
Bally Hong Kong Ltd.  
Banca del Gottardo Hong Kong  
Representative Office  
Banque Cantonale Vaudoise  
B C Syma Exhibition Contractors Ltd.  
BDC Management and Translation  
Services Co  
Belimo Automation Hong Kong Ltd.  
Bingisser International Ltd. (Hong Kong)  
Bobst (Far East) Ltd.  
BSI - Banca Della Svizzera Italiana  
Buhler Hong Kong Ltd.  
Ciba Specialty Chemicals (HK) Ltd.  
Clariant Ltd.  
Clariden Asset Management (HK) Ltd./ Clariden  
Bank HK Representative Office  
Comco Trading Ltd.  
Concept World Ltd.  
Coop Switzerland Far East Ltd.  
Coutts & Co  
Creation Baumann (HK) Ltd.  
Credit Suisse First Boston  
CWS (Hong Kong) Ltd.  
Dabera Ltd.  
Dachser Far East Ltd.  
Danneman AG  
Danzas AEI (HK) Ltd.  
Desco (Hong Kong) Ltd.  
DKSH  
EFG Private Bank SA  
Egon Zehnder International Ltd.  
Emphasis Media Ltd.  
Fael (Far East) Ltd.  
Federation of the Swiss Watch Industry  
Fiege Ltd.  
Geberit Hong Kong  
Geis Cargo JM Hong Kong Ltd.  
Givaudan-Roure Ltd.  
Golay Buchel & Co (HK) Ltd.  
Go-Trans (Hong Kong) Ltd.  
Guyerzeller Bank Ltd.  
Habasit East Asia Ltd.  
Hidrostal Asia Ltd.  
Hunkeler Far East Ltd.  
IFB International Freightbridge Ltd.  
International SOS Assistance (HK) Ltd.  
Interpharma Asia Pacific  
Ismeca Asia Ltd.  
Jakob Mueller Hong Kong China Ltd.  
Jet Aviation Business Jets (Hong Kong) Ltd.  
Kaba Ltd.  
Kolb (HK) Ltd.  
Kuehne & Nagel (HK) Ltd.  
Kuoni Travel Ltd.  
Laufen Asia Ltd.  
Leica Geosystems Ltd.  
Lindt & Sprungli (Asia-Pacific) Ltd.  
Living Picture Ltd.  
Lombard Odier Darier Hentsch (Asia) Ltd.  
Markant Trading Organisation (FE) Ltd.  
MDM Geneve (Far East) Ltd.  
Metalor Technologies Ltd.  
Mettler-Toledo (Hong Kong) Ltd.  
Migros Hong Kong Ltd.  
Mirabaud (Far East) Ltd.  
Mondaine Swiss Watch (Far East) Ltd.  
M + R Forwarding (HK) Ltd.  
Muller Martini (Hong Kong) Ltd.  
Nestle Hong Kong Ltd.  
Novartis Pharmaceuticals Ltd.  
Panalpina China Ltd.  
Pictet (Asia) Ltd.  
Publicitas Hong Kong Ltd.  
Rieter Asia (Hong Kong) Ltd.  
Ringier Contract Publishing Ltd.  
Roche Hong Kong Ltd.  
Rolex (Hong Kong) Ltd.  
Ronda Ltd.  
Saurer Textile Systems Far East Ltd.  
Schenker International (HK) Ltd.  
Schindler Lifts (HK) Ltd.  
Schindler Management AsiaPacific Ltd.  
SGS Hong Kong Ltd.  
Sika Hongkong Ltd.  
Siemens Building Technologies Ltd.  
Siemens Cerberus Division  
Soudronic Far East Ltd.  
SSM Schäfer Schweiter Mettler AG  
Sulzer Pumps (China) Ltd.  
Swatch Group (Hong Kong) Ltd.  
Swiss International Air Lines  
Swiss-Orient Company Ltd.  
Swiss Prestige Ltd.  
Swiss Reinsurance Company, HK Branch  
TAG Heuer HK Ltd.  
UBS AG - Hong Kong Branch  
Victorinox Hong Kong Ltd.  
Winterthur Life Hong Kong Branch  
Witschi Electronic Asia Ltd.  
Zuellig Pharma Ltd.  
Zurich Insurance Company (Asia) Ltd.  
Zurich Life Insurance Company Ltd.

## **B) Local Companies with Swiss Interests**

Alkayson Ltd.  
Anglo-Swiss Trading Co (HK) Ltd.  
Asia Direct (HK) Ltd.  
Astoni Far East Ltd.  
Balyun Marketing Services Ltd.  
Bax Global Ltd.  
Boncafe Far East Ltd.  
Cabi Company Ltd.  
Cobar Ltd.  
Delicia Ltd.  
EPC Group of Companies  
FH Promotion Ltd.  
Gastro Primo Ltd.  
Glycel (Far East) Co., Ltd.  
Gourmet House Ltd.  
Graf Cardservice FE Ltd.  
Grand Pacific Technology Ltd.  
Inspectorate (Far East) Ltd.  
Jacques Farel Ltd.  
Kotz Engineering Ltd.  
K & E Company Ltd.  
La Rose Noire  
Leo's Fine Food Co Ltd.

Marc & Chantal Design Ltd.  
Multipak Ltd.  
Navasco Co Ltd.  
Omtis Ltd.  
PerSens Asia Pacific Ltd.  
Peter Baer Ltd.  
Progin Far East Co Ltd.  
Sunrise Resources Ltd.  
Swiss Belhotel Management Ltd.  
Swiss Chinese Watch Trading Center Ltd.  
Swiss-Impex Co. Ltd.  
Swiss Import Export Trading Co. Ltd.  
Swiss-Sure Company Ltd.  
Switraco Ltd.  
System Computer Systems  
Times Ringier (HK) Ltd.  
Transpacific Marketing Ltd.  
Traxler JH (HK) Ltd.  
Wesco Co. Ltd.  
Wing Kee Produce Ltd.  
Wolf (Asia) Ltd.  
Zund Asia Pacific Ltd.

## **C) Liechtenstein Companies**

Hilti (Hong Kong) Ltd.  
LGT Bank in Liechtenstein AG