



WORLD EYE REPORTS

HONG KONG



Ten years after, it's still business as usual

In the many years leading to 1997, a veil of anxiety loomed over Hong Kong as the world wondered what was to happen to this bastion of capitalism after it was handed back to communist China.

To placate the apprehension of the naysayers, Beijing reaffirmed its commitment to its "one country, two systems principle." Meanwhile, Britain invoked the 1984 Sino-British Joint Declaration wherein China vowed to keep Hong Kong's way of life and capitalist system for at least 50 years after the handover.

So, what has become of Hong Kong's reputation as an international, multi-industrial hub and trade conduit to China?

Hong Kong's position as the regional powerhouse has been eclipsed by several Chinese cities asserting a stronger presence in the national economy.

According to Shigekazu Sato, Japan's consul general in Hong Kong, Macau's GDP is growing at an average annual rate of 16.8 percent while Shanghai, until 2005, posted double-digit GDP growth for 14 consecutive years.

While labor-intensive industries have made a move to the more cost-effective mainland, the Hong Kong economy has seen a shift toward more knowledge-based, high-technology industries, as well as higher skilled service and retail-oriented enterprises.

Hong Kong has also found that an answer lies not only in further integration with the mainland but also in a new and improved role.

In 2003, Hong Kong and Beijing signed the Closer Economic Partnership Agreement (CEPA) designed to enhance the region's business environment, especially with China's rapid growth.

While industry observers cite increasing competition from Shanghai and the Pearl River Delta (PRD), Hong Kong executives stress the many advantages that Hong Kong has over other Chinese regions.

"Shanghai is not Hong Kong, and it never will be," says Alfred Wong, executive director of the Hong Kong Electronic Industries Association, who identifies those advantages as infrastructure, social development and rule of law.

In fact, the rapid growth of Shanghai, Macau, Guangzhou or Shenzhen complement Hong Kong's role in the regional economy. The PRD has evolved into a satellite location for the traditionally strong Hong Kong industries, like manufacturing and logistics.

Just as Hong Kong was on the verge of recovery three years later, the outbreak of Severe Acute Respiratory Syndrome (SARS) battered the economy again. Tourism, together with related industries such as retail, took a beating.

While many electronics and OEM/OEM makers have relocated their manufacturing facilities to Southern China, they have retained managerial, financial and operational headquarters in Hong Kong.

That trend hopes to follow London's model of transition from a manufacturing hub to a so-called command center for global companies, to being the largest financial center in the world today.

Many agree that it is now time to take Hong Kong from a regional powerhouse to a major international economic center.

As part of that strategy, the Chinese government has enacted several measures to encourage Hong Kong, as well as mainland enterprises, to develop,



Because of its first-class infrastructure and highly knowledgeable population, Hong Kong remains a preferred base of operations for many companies that have expanded to nearby areas like Macau, Shenzhen and Guangzhou.



Alfred Wong, executive director of the Hong Kong Electronic Industries Association

A decade later, Asia's freest market remains just as prosperous and dynamic as ever.

Kuniyasu Funaki, director general of the Japan External Trade Organization, believes that Hong Kong has benefited from becoming an integral part of China's economy and remains the entry point of choice for companies wanting to enter the huge mainland market.

While Hong Kong, in the words of Funaki, has "become more Chinese," it has also retained its "special qualities."

But, transition and growth did not come easily.

Only weeks after the handover, the Asian currency crisis erupted and caused a major recession, pulling down prices in one of the world's most expensive real estate markets.

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Kuniyasu Funaki, director general of JETRO Hong Kong

manufacture and brand their own products instead of the traditional industry of processing goods for other companies.

"We have a lot to learn from the Japanese. We need to push innovation, establish overseas chapters, and increase pressure on the mainland government to protect IP rights, credibility and accountability, aside from further increasing regional collaboration. If we can open communication, there is tremendous potential," Wong says.

Ho Ting, executive director of Symphony Holdings, agrees with the objective.

"Hong Kong's strength is not just in one place. Surely, it is not in manufacturing," he says. ♦

WKK shows its loyalty to staff, partners and Hong Kong

Amid a steady influx of companies to the Chinese mainland in the 10 years since the Hong Kong handover, there remains a core of businesses staunchly loyal to the region, believing that it has only gotten better and more competitive.

"We are Hong Kongese. We are here for life," stresses Wong Kong King Chairman and CEO Senta Wong, who attributes the company's continuing success to the key principles of loyalty, trustworthiness, flexibility and a commitment to quality.

Wong believes that WKK, as much as its customers, suppliers and employees has benefited by compliance to those principles.

Launched as a trading company in the 1970s, WKK's core business began with the trading and distribution of capital equipment materials throughout Asia. In 1986, the company expanded its activities to include manufacturing and fast food.

Today, WKK International Holdings also leads the industry in OEM green manufacturing, with a broad product base comprised of automotive, medical and diagnostic devices.



Wong Kong King Chairman and CEO Senta Wong (left) and President Henry Harada

where trust, loyalty and a commitment to quality hold a high premium in terms of business relationships.

Aside from its commitment to technological innovation and quality, Wong believes that his employees are the company's most valuable asset. In fact, Wong uses the Chinese character for "trust," which has the same root as that for "man," to symbolize the company's workforce.

As a clear testimony to that belief, the company dormitory outside its Dongguang factory is equipped

with a hair salon, theater and gymnasium to foster community building among employees, 90 percent of whom come from outside Guangdong province.

"This is their home. We don't believe in recruitment. The aim for our human resource personnel is to keep our employees, not recruit new ones," Wong says.

If the backbone of WKK is its people, the company looks strong enough to support a long and healthy future. ♦

www.wkk.com.hk

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Strengthening its foothold in China and expanding across Asia

Structure Tone Asia/S&techs, a full-service construction management and general contracting company with 146 engineers, has successfully completed numerous projects across Hong Kong and China but has now looked toward expansion to other parts of Asia.

"The Chinese market for construction separates design and building. But putting the designer and contractor together in China is tough. Because the designer does not have the mentality of the contractor and the contractor does not have the mentality of the designer," says CEO Nobuo Shigemitsu.

So the need to consolidate design and building aspects to complete high-quality, cost-efficient projects on time is the immediate objective of Structure Tone Asia/S&techs, a subsidiary of Structure Tone, the largest interior fitting out contractor in New York and the seventh largest in the U.S.

"Our application for the design and building license (Class II status) for fitting out work in Shanghai was the first in a Chinese city," Shigemitsu points out.

Following the trend of its Japanese clients, the company recently opened an office in the Vietnamese city of Hanoi, where it has completed some projects. Also, it has begun a project for one of its clients just outside New Delhi in India.

In terms of sectors, Structure Tone Asia/S&techs aims to prioritize the industrial sector.

"As you are aware, China produces most of the things for the world. We have built many Japanese factories in China and we would like to continue focusing on that," says Shigemitsu.

After the industrial sector, the company will focus on its field of expertise, interior fitting out for the financial, hospitality and IT sectors, among others. It specializes in Internet data center (IDC) fit out with a lot of IT work, as well as for trading floors for the financial sector and clean rooms for the electronics sector.

For 2008, Structure Tone Asia/S&techs is determined to expand its client list.

"Companies like Adobe, Nvidia, Microsoft and Google are building R&D centers in China and what I am discovering is

that they are building these centers near the good universities in China," Shigemitsu says.

"Once successful, these R&D centers are then duplicated in other countries like Taiwan, Singapore and possibly Japan. A good example is Adobe. We have done projects for it in Singapore, Beijing, Japan and Taiwan," he adds. ♦

www.s-techs.com

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UMC - Hanoi, Vietnam



Kyosai - Dongguan, China



Sony - Guangzhou, China



Adidas - Guangzhou, China



LOEWE - Suzhou, China

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A computer rendering of a manufacturing facility to be built by S&techs for the U.S. firm MSA in Suzhou, China. It is due for completion in July.

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Remaining faithful to tradition amid growth

After a century in business, Amoy Food has established itself as a household name in Hong Kong for delectable frozen dim sum and prepared sauces, all readily available at neighborhood supermarkets and grocery stores across the region.

Starting out as a sauce-maker in Fujian province in 1908, Amoy Food was recently acquired by the Japan-based Ajinomoto Group, which believes that its newest subsidiary will be the main driver of growth in its overseas food business, particularly in Hong Kong and the mainland China market. In the 14 years since its entry into the global frozen dim sum market, and expansion of sauce business into China, Amoy has quadrupled sales. Distributed in 42 countries, Hong-Kong based Amoy has become a market leader in the areas of sauces and frozen dim sum. Headed by General Manager Henry Yim and Chairman Hiroshi Kaho, the company has developed a distinct corporate dynamic that has contributed to its continued success and widespread consumer appeal. Having grown in a region linked to 4,000 years of Chinese history and more than a century of foreign influence, Amoy Food has cultivated a unique take on local comfort food. "It is food that has continued

to evolve while still maintaining its roots," explains Kaho, who points out that his company intends "to take the distinctiveness of Hong Kong and apply that to our business philosophy." Notwithstanding plans to become a global brand, Amoy is intent on maintaining an identity linked closely to the uniqueness of Hong Kong. "Amoy's heart is in Hong Kong," stresses Kaho. That loyalty to the Hong Kong spirit will guide the development of at least 10 new products per year. Ajinomoto plans to bolster the Amoy brand and guide its future growth by balancing its century-old production methods, rooted in ancient Chinese health and wellness traditions,

with the Hong Kong characteristics of innovation, resilience and fortitude. ◆ www.amoy.com



Amoy Food Chairman Hiroshi Kaho (left) and General Manager Henry Yim

Playing a big difference in a global success story

"I am personally very proud of being a member of YKK," says Toshimitsu Hayashi, managing director of YKK Hong Kong who is marking his 30th year with the Japan-based zipper manufacturer.

When YKK set up operations in Hong Kong more than 40 years ago, the Chinese market was negligible and unknown. It was not until the mid-1990s that YKK began investing in the mainland market, having realized its fast-growing importance. "It was too huge to be ignored. Even if there were some uncertain economic aspects or doubts about China, we decided to invest not only because of salary and labor costs, but because we saw the importance of being there to take care of the local market," recalls Hayashi. YKK drew up its North, Central and Southern China markets, with their bases in Dalian, Shanghai and Shenzhen, respectively. Among them, Shenzhen plays an important role for YKK Hong Kong as the Hong Kong operation relies on Shenzhen for raw materials and some zipper production. YKK's Hong Kong sales have been increasing and together with YKK Shenzhen's dramatic expansion, YKK's presence in South China is bigger than ever.

best solutions for our customers and help them find the most favorable YKK supplier," Hayashi explains. Amid the stiff competition, where a lower price point dominates the business, YKK remains unfazed, confident that quality is vital to sustained success. "Our price isn't so low because we select every type of material used and make sure they are first grade to ensure safety. We want people to use our products not only because they think they will last forever but at the same time because they know that they are safe," he says. While volume is also important, YKK focuses on its reputation for offering the most advanced technology in the production of its zippers. In line with goals to be a greener company, YKK is taking the initiative to develop recyclable zippers. ◆ www.ykk.com.hk



Toshimitsu Hayashi, managing director of YKK Hong Kong

HK women say 'bonjour' to beauty

Starting in 1991 with only one store and a handful of employees, Bonjour has become one of Hong Kong's most reputable and popular health and beauty retail, and spa chains. Sixteen years on, it has set up almost 30 shops and seven one-stop salons that offer everything from complete body treatments to simple foot massages.

After joining forces in 1996 with his wife, the original founder of Bonjour, Chairman Wilson Ip helped catapult Bonjour to the top of the HK beauty retail market. With his business-savvy and seasoned managerial skills, Ip has transformed Bonjour from a small enterprise to a market leader that is growing at a consistent pace, with the opening of two to three shops annually. Bonjour also expanded into the mainland market with the opening of its first stores in Macau and Shanghai. In 2003, the company was publicly listed on the Hong Kong Stock Exchange. Bonjour shops carry over 30,000 products from around the world and are exclusive distributors of several renowned brands, including Swiss Plus, Suisse Reborn and Rote Fabrik from Switzerland, marie claire from France, Bodytouch from Thailand and YUMÉI from Japan. Ip points out that Japanese brands have remained ex-



Bonjour Chairman Wilson Ip

remely popular among Bonjour's customers because they are of high quality and very affordable. Bonjour sets itself apart from the myriad of beauty retailers in this shoppers' paradise by sticking to its mission to cater to every woman. Unlike other well-known health and beauty retailers that carry only luxury brands, Bonjour carries an expansive range of products in every price range. With nearly 30,000 purchases a day, its customer traffic is im-

pressive by any standard. "We have the best products at the most competitive prices. We keep the price as low as possible so our customers trust us and continue to come back. We are the best place to shop for beauty products in Hong Kong," Ip says. In 2005, the company also set up an online store — www.bonjourhk.com — to promote the Bonjour brand to the world, as well as its products, which are available at arguably the best prices and value available on the Web. Their main markets are China and other developed markets, including Australia, the U.S. and Britain. "We must maintain our commitment to high standards, quality and service, so that we may continue to expand in Hong Kong and China," says Ip, who was the 2007 recipient of the World Outstanding Chinese Award given by the World Chinese Business Investment Foundation. ◆ www.bonjourhk.com



Offering more than 30,000 products from around the world, Bonjour is Hong Kong's sole distributor of renowned brands of health and beauty products, such as Swiss Plus, Suisse Reborn and Rote Fabrik from Switzerland, marie claire from France and YUMÉI from Japan.

Sime Darby stays bullish on Hong Kong

Hong Kong is celebrated for its entrenched capitalist mind-set, freewheeling entrepreneurial spirit and penchant for conspicuous consumption. Those same traits also provide the challenge for this small but dynamic market.

With 40 years of local experience, Sime Darby Hong Kong Ltd. has exhibited an unshakable confidence in this savvy market, where it exclusively distributes leading brands such as BMW, Rolls-Royce, Ford, Land Rover, Peugeot, Mitsubishi and Suzuki. Sime Darby also chose Hong Kong as the regional base for the entire group's activities in Hong Kong, Macau and mainland China. "Our roots are here in Hong Kong. We started our operations here in 1968 specifically for Hong Kong and Macau but also as a base to grow into China," recalls Peter Goh, managing director of Sime Darby Hong Kong's motor group. "We are particularly proud of our long-established relationships with Mitsubishi Motors and Suzuki Motors of Japan, both of whom are very supportive of our efforts in this region," he added. Sime Darby is also marking another milestone

with one of its long-standing partners. "This year is our 40th anniversary with Mitsubishi Motors Corp. We put a lot of resources into making sure that we have good facilities and good trained professional managers, and are able to provide support that our customers and principals expect from us," explains Goh. "This year, we are planning to host anniversary parties for our customers and staff to celebrate this long-lasting and cordial relationship with Mitsubishi Motors," adds Goh. "We are trying to enhance what we do here in terms of customer service given the fact that Hong Kong and Macau are developed markets. For us to maintain a certain market position, you really have to deliver not just on pricing and new models. I think it's more important that you maintain an overall high level of customer service," he also says. ◆ www.simedarby.com



Fact File

Area: 1,092 sq. km
Population: 6,980,412
Currency: Hong Kong dollar (HKD)
Ave. exchange rate: \$1 = 7.77 (2006)

GDP: \$259.1 billion (2006 est.)
GDP real growth: 6.9% (2006 est.)
GDP per capita (PPP): \$37,300 (2006 est.)

Unemployment: 4.9% (2006 est.)
Inflation: 2.2% (2006 est.)

Main industries: Textiles, clothing, tourism, banking, shipping, electronics, plastics, toys, watches and clocks

Exports: \$611.6 billion, including re-exports (2006 est.)
Imports: \$329.8 billion (2006 est.)

Major exports: Electrical machinery and appliances, textiles, apparel, footwear, watches and clocks,

toys, plastics, precious stones, printed material

Main export markets (% share): China (47%), U.S. (15.1%), Japan (4.9%) (2006)

Main import markets (% share): China (45.9%), Japan (10.3%), Singapore (6.3%), U.S. (4.8%), South Korea (4.6%) (2006)

Source: CIA World Factbook

For enchanting style...

Connecting Possibilities

YKK

World of Beauty

Best Choice in Hong Kong

30,000 beauty items

1,000 famous brands

Best quality

Lowest price

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Hong Kong • Macau

Worldwide Online Shopping : www.bonjourhk.com

WKK

the best for you

DISTRIBUTION

PCB Equipment
SMT Equipment
Semiconductor Equipment

MANUFACTURING

EMS
Total Green Manufacturing

www.wkkintl.com

Mode x YKK

YKK