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CANADA HONG KONG BUSINESS



加拿大 商務 香港

Doing business in China



the risks
and
rewards

在中國做生意的風險與收獲

Published by The Canadian Chamber of Commerce in Hong Kong 香港加拿大商會

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The Chamber's China
direction

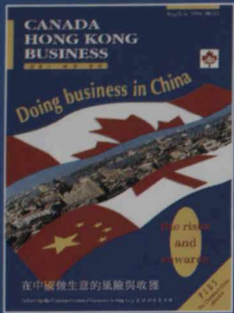
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Room 1602, 16/F
Sin Hua Bank Building
2-8 Wellington Street
Hong Kong
Tel: (852) 526-3207
Fax: (852) 845-1654

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RONAN GARDINER/PETER JEFFERY
STEVE LEECE MEDIA LTD.
Office B
5-11 Thomson Road
Wanchai, Hong Kong
Tel: 528-9121 Fax: 528-3260

CANADA -
WATSON GROUP
ROBERT WATSON
PO Box 6622, Station D
Calgary, Alberta T2P 2E4
TEL: (403) 234-7344 FAX: (403) 234-7343

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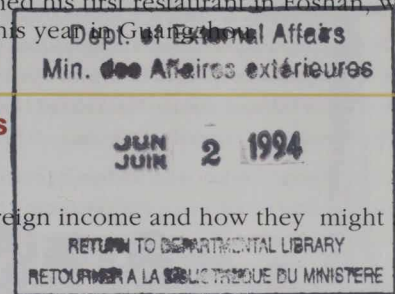
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President's Message

Nominations are now being made for membership of the new Executive and for a new president of The Canadian Chamber of Commerce in Hong Kong. These events remind me that my own presidency is drawing to a close.

I look back upon my year as president as one of enjoyment and satisfaction.

The enjoyment has been derived from the excitement and pleasure of interacting with those who have visited the Chamber during the year, either as guests or speakers, and the many VIPs from Canadian government, companies, and institutions who have visited us in Hong Kong in the last 12 months. This year, our guest speakers have included senior members of both the Hong Kong and Canadian governments and, I am pleased to say, many leading figures from PRC companies and institutions.

I and the other members of the Executive have not only welcomed guests, but have ourselves been guests at events in Canada, Hong Kong, and China. These events included a Chamber visit to Beijing and Shanghai and participation in different seminars held in Canada and Hong Kong.

Enjoyment has also come from the tremendous support I and other members of the Executive have received from the business community in Canada, Hong Kong, and China. The major conference, "Profiting from Partnership - Canada, Hong Kong, and China 1994 Trade and Investment Week", held in Hong Kong and Guangzhou, is an example of the support which the business community has provided for major events. Of course, the willingness of members of the Executive, Board of Governors, and Chamber staff to come together to share some of the burdens of the year has also been one of the undoubted pleasures of my term as president.

In my opening address to the Chamber, I expressed the hope that during my term the Chamber would begin to debate and deal with a number of key issues which will affect the role and organization of the Chamber for a number of years to come. These issues primarily relate to the possible extension of the jurisdiction of the Chamber to include China and the need for the Chamber to make itself relevant to the Chamber's non-English speaking constituency. I can report, with some satisfaction, that the debating of these issues has truly progressed and a number of initiatives have been taken. It is now up to my successor and the future Chamber Executive to proceed with these initiatives, and I wish them every success in their task.

Finally, a word of thanks and appreciation. It has been an honour and a privilege to make a contribution to The Canadian Chamber of Commerce in Hong Kong and the business communities it serves, and I very much hope that my successor derives as much pleasure and satisfaction from his/her year in office as I have.

香港加拿大商會陳清霞主席獻辭

香港加拿大商會新的執行委員及主席職位正接受提名，意味著本人的主席任期亦即將屆滿。

回顧在任期間，本人感到無限歡欣和快樂。這份歡欣乃源自過去一年中與本會眾多來訪者接觸交往中所獲得的無窮樂趣，來訪者中不乏嘉賓和演講者，更有為數不少的來自加拿大政府、公司及機構的貴賓。今年本會的嘉賓演講者不僅包括香港和加拿大的政府要員，還包括中國企業及機構的多領導及要員。

本人及其他執行委員會成員不但歡迎來賓到訪，本身也應邀參加了加拿大、香港及中國方面的各項活動，其中包括訪問北京和上海及參加在加拿大和香港舉行的各類研討會。

加拿大、香港及中國商界對本人及其他執行委員的鼎力支持，亦使本人感到莫大欣慰。《攜手合作 共享成果——加、港、中——一九九四年貿易投資週》的大型會議的召開，就是本會的大型活動獲得商界大力支持的明証。當然，執行委員會、董事會和商會職員真誠合作，亦是本人在任間的一大快事。

本人在就職禮上致詞時，曾表示希望本會在本人任期內將致力於探討和處理未來數年內對本會的作用和組織起重要影響的若干重要問題。這些問題主要有關怎樣將本會的活動範圍擴展至中國及如何加強本會與非英語會員們的聯繫。本人在此可以高興地說，對這些問題的探索已取得了實質性的進展，並且已逐步實施了很多計劃。現在繼續實施這些任務和計劃的責任將賦予本會的下屆主席及執行委員會，在此本人預祝他們取得圓滿成功。

最後，本人謹向大家表示由衷的心感謝。有幸為加拿大商會及其服務的商界作出貢獻，實在是一種難得的榮譽。本人衷心希望下屆主席有如本人一樣，在任職期間能夠獲得無窮的樂趣和滿足。

ELIZA C H CHAN

Canadians see red

The risks and rewards of doing business in China

by Joanne Pawluk and Gerald Lamoureaux

Canadian companies may not be charging towards markets in southern China, but they're carefully feeling their way through the business opportunities in this fast-growing region.

Guangdong, with a population of about 60 million, has experienced economic growth of approximately 18 per cent annually for the last decade, twice that of the rest of China.

"Despite the business opportunities provided by this fast-growing region, Canada has been a small player in the south which has taken on much of Hong Kong's light manufacturing industry where Canadian companies lack extensive experience," says Anne Argyris, Trade Commissioner responsible for south China at the Commission for Canada in Hong Kong. "Canadian business is more active in the north where there's heavy industry, an area in which Canadians have expertise," says Argyris.

However now, says Argyris, the Guangdong authorities want heavy industry and better infrastructure in order to support their economy and transport their goods to markets in China and overseas. "What they need is what we produce and we're well-placed to provide what southern China needs," says Argyris, referring to Canada's expertise in transportation, telecommunications, hydro-electric production, construction, and heavy industry.

Argyris' views are echoed by Dr. David Chu, a Chinese University lecturer and co-editor of a newly released book

vital prerequisite for attracting foreign investment and modernizing the economy. Northern Telecom, which has been active in China since 1972, has been manufacturing private branch exchange systems in Guangdong since 1988. The telecommunications company is currently negotiating a massive joint venture in Guangdong to manufacture telephone switching systems to service all of China.

The rapidly changing market in Guangdong and the deregulation of prices and industries means that companies have to continually adjust their focus and strategies.

Canpotex, a Saskatchewan potash company, opened an office in Hong Kong in



Zeidler Roberts' 130 Room 4 star hotel for Lippo China Group in Tati City, Fujian Province

called *Guangdong - Survey of a Province Undergoing Rapid Change*. Chu says that heavy industries are required to meet the increasing infrastructure needs of the region and to ensure the supply of raw materials for light industry. He predicts that once heavy industries are established, the Guangdong economy will continue to grow at annual double digit levels for the next decade.

One Canadian company that is set to take advantage of infrastructure development in south China is the architecture firm of Zeidler Roberts. Through the firm's association with a Hong Kong company, Zeidler has quickly landed several architectural projects in China. Among these is a commercial/residential project in Guangzhou and a hotel in Fujian.

Telecommunications infrastructure is a

August 1993 to protect its existing market in China. With 25 per cent of their offshore sales going to China, company executives became concerned when they began to lose market share.

"The rules change from month to month, so we're here trying to keep up with this," says Howard Cummer, Managing Director for Canpotex (Hong Kong) Limited. "Our priority is to try and understand how the market is changing."

The increased Canadian attention to this new market has not been missed by major Canadian banks. Both the Bank of Montreal and the Bank of Nova Scotia opened up representative offices in Guangzhou last year in order to report on trade and finance activities and to service their clients who have shifted their investments to southern China.

"You have to be there. It's not the same doing things by remote control," says Ken Dawson, Vice-President of the Hong Kong Branch of the Bank of Montreal.

New consumer market

Until recently, foreign businesses have focused on manufacturing and exporting, but now they are turning their attentions to the local consumer market.

"Increasing discretionary income and the opening of the retailing and services sectors to foreign investors has spurred foreign interest in tertiary industries," says Chen Zhen-Xiong, business professor at Sun Yat Sen University in Guangdong, currently on a leave of absence and a PhD student at Hong Kong University of Science and Technology.

Ten years ago, Chinese consumers bought bicycles, sewing machines, watches, and radios. Today, according to Chen, Guangdong people watch Hong Kong television, follow the fashion trends, and want consumer goods that are popular in Hong Kong.

One Canadian company that has recently expanded into the Asian consumer market is Neilson, famous for its Sweet Marie and Mr. Big chocolate bars.

"Neilson is targeting only part of the China market," says Albert Ng of Metcorp, the Hong Kong-based company which is responsible for marketing and distributing Neilson chocolate bars in China.

Customers have been attracted to Neilson products by the taste and the use of popular colours such as gold, yellow, and red in the packaging. Neilson has also chosen to highlight its Canadian connection by linking the Mr. Big chocolate bar with Canada's size.



Canpotex field demonstration shows results of blended fertilizer

Although Neilson has less than one per cent of the world market share of the chocolate confectionery industry, the company estimates that after only three months in Guangzhou, it has captured 20-25 per cent of the market. While Neilson has had early success, Ng says it is difficult to determine their ultimate success in a market where they are competing against international chocolate bar giants like Cadbury and Mars.

Canadian companies are also looking at the service industry in Guangdong with great interest. Airline passenger traffic in China has increased by about 29 per cent annually in the last two years and is forecasted to grow between 10 and 20 per cent annually over the next 15 years.

"With projected increases in passenger traffic, Canadian Airlines is considering establishing an office in Guangzhou to issue tickets for flights from Hong Kong," says Richard Webb, General Manager of Canadian Airlines' Hong Kong office. But the lack of reliable market information, says Webb, has made it difficult to gauge how much business is coming out of southern China and whether such an office would be viable.

Another service sector that looks attractive is insurance. While this industry is dominated by state-owned companies, Manulife has established three representative offices in China. Through its Shenzhen office, Manulife is learning about the market and talking to local authorities about establishing a sales

office even though there are no procedures yet in place for foreign companies to apply for a license, says Victor Apps, Vice-President of Manulife's Greater China Division.

Although Manulife is the only Canadian company pursuing the insurance market in China, it is competing against about 20 other foreign insurance giants. "A few years ago, no one would have dreamed about the China market for insurance," says Apps.

The Hong Kong connection

Hong Kong has become a springboard from which Canadian and other foreign companies can leap into the China market. The Territory's proximity to Guangdong, infrastructure, and well-educated work force with China experience make it an ideal intermediary.

In 1986, Alcan Aluminum chose Shenzhen as the site of its joint venture, not only because of the special tax incentives of this Special Economic Zone, but also for its proximity to Hong Kong, says Roger Hum, former Chief Executive Officer for Alcan Nikkei Asia Limited.

Hum, who is now a Hong Kong-based business consultant, says that operating out of Hong Kong helped Alcan hasten the joint venture negotiations, since their proximity led to more frequent meetings and familiarization.

Canada's cultural diversity has helped Canadian companies who have ethnic Chinese on staff and are now posting them to Hong Kong and China. "We've got to work with the Chinese to make it into the market," says Argyris.

Joint ventures

Joint ventures were first introduced in the late 1970s to help China modernize its economy. Although dealing with a joint venture partner has its own challenges, as partners may not agree on management styles, policy direction, performance standards, or a multitude of other operational concerns, joint ventures are seen as a way to help foreign companies operate in a unique business culture and to better manage the demands imposed by China's bureaucracy.

QUANTITY SALES OF SELECTED CONSUMER GOODS IN CHINA

Consumer Good	Quantity Sold (1992)	% Increase over 1991
TV Sets	21.2 million	+15.1 (colour TVs)
Cassette Recorders	12.1 million	+10.4
Washing Machines	10.2 million	+22.7
Refrigerators	4.8 million	+28.7
Bicycles	33.0 million	+11.0
Shoes	1.09 billion pairs	n/a
Wines	15.0 thousand tons	n/a

n/a: not available

Source: The Hong Kong Trade Development Council

Harris Farinon Canada, a Dorval-based manufacturer of telecommunications equipment, established a joint venture in Shenzhen in May 1993 to manufacture microwave telecommunications towers. Harris Farinon had been selling in the China market for over 10 years but decided the company needed to establish itself locally to provide after-sales service.

"It took about one and a half years of negotiation and feasibility studies to conclude the deal," says Pierre Bernier, Managing Director of Shenzhen Harris Telecom Company Limited. Although Harris Farinon encountered few difficulties with its joint venture partner, Bernier cautions that a joint venture is not for everyone. "Before you start a joint venture, make sure this is what you want to do. It's not that easy."

Alcan Aluminum also found that its choice of joint venture partner was critical to its success. Linking up with the powerful state-owned China National Nonferrous Metals Industry Corporation helped the Canadian aluminum giant build and operate the first fully integrated aluminum manufacturing facility in China.

Hum notes that although it can be difficult sourcing raw materials and supplies locally, especially in a growing economy, Alcan overcame this hurdle with the assistance of its powerful joint venture partner which controls 70 per cent of the aluminum production in China and employs over one million people.

Many joint venture partners like Alcan's are state-owned companies that have a dual role - to make a profit, and to assist the government in achieving economic policy objectives. Succinctly put, business is government and government is business.

Although China has made significant free market reforms, its economy remains largely state controlled. "Always talk to the end user and Beijing when you're working with provincial authorities on local projects where central government financing and approval may be required," advises Argyris.



Neilson is quickly gaining market share with Canada's favourite chocolate bar

Canada's size is used to market Mr. Big in China

Although choosing a joint venture partner with professional expertise, integrity, and a good reputation is important, a partner with the right connections is critical.

Guanxi

"To run a successful business in China you must have a lot of ears, a lot of eyes, a lot of noses, and a lot of mouths on your behalf."

"You have to have terrific people who listen for you, talk for you, see for you, and try to feed information to you."

- Yue-sai Kan, Chinese-American Entrepreneur
International Herald Tribune, August 17, 1993

Contacts are crucial in finding the right joint venture partner, having contracts approved, and sourcing materials locally.

"You've got to spend time with government officials and nurture that relationship," says Argyris. "You have to find the right partner. Connections are the key."

Connections eased architectural firm Zeidler's entry into the south China market. "Our work is based on long and old relationships that were tapped. Competition with Hong Kong firms is fierce," says Mel Satok, Vice-President of Zeidler Roberts' Hong Kong office.

Argyris advises businesses to participate in trade missions to China and to take advantage of Chinese trade delegations to Canada to make connections with people in business and government in China.

Corruption

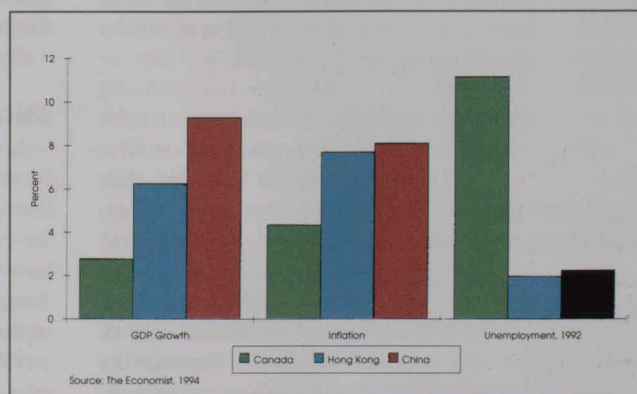
Business people are reluctant to speak publicly about corruption in China. Most advise that they have had no problems with bribery or corruption personally, but they know those who have.

According to business consultant and former Alcan executive Roger Hum, the best advice is to say no immediately when asked for a bribe. "If you stand up initially when you're approached, it's just not in the cards and you won't be bothered by it," he says. "If it's there, they'll take advantage of you."

According to Metcorp's Albert Ng, companies focusing on the short-term in China are more exposed to corruption. However, he maintains that if you are looking at the long term, you don't have to do things as urgently and can avoid paying bribes.

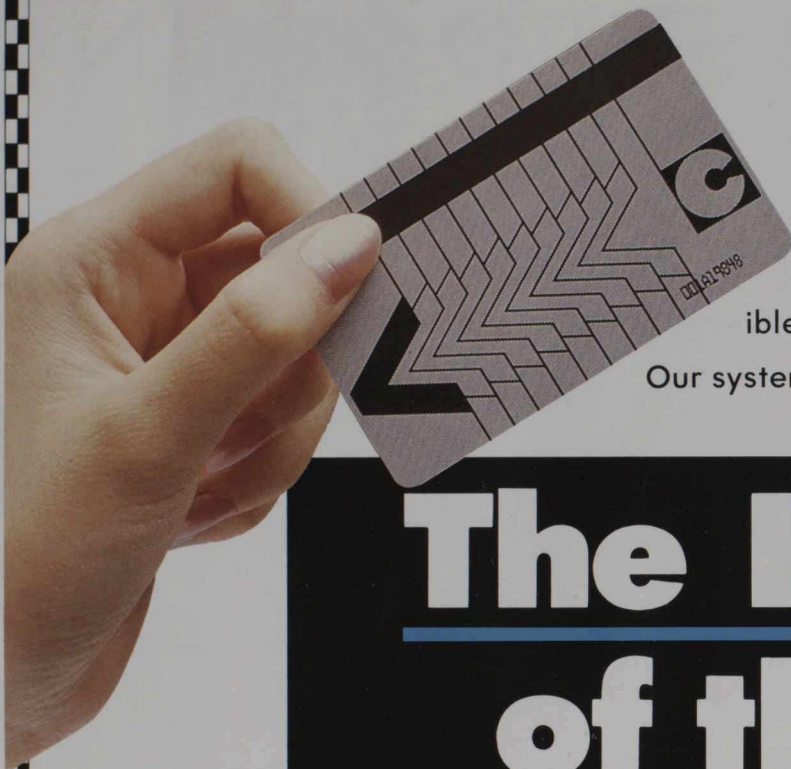
If you do succumb to requests for bribes, you may get things done now, says Ng, but there is no guarantee that those people will be there to assist you down the road.

Economic Indicators Annual average % 1983-92



Guanxi, or connections, are of paramount importance when establishing and operating a successful business in China.

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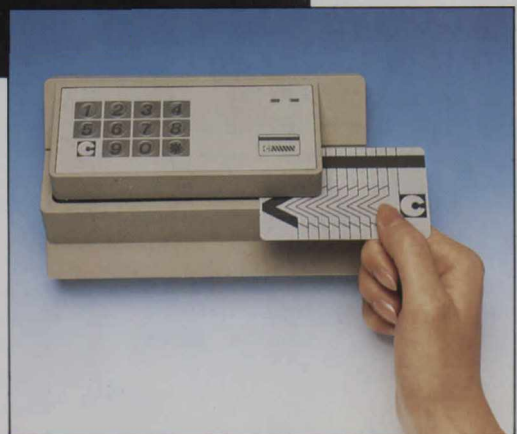
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More common than bribes are requests for 'favours.' To many Canadian businesses, these favours, which can include visits to Canadian operations, are legitimate business practices and can mean a lot more to prospective Chinese partners than bribes.

Risk

It isn't too surprising that the risks in China are as great as the potential rewards.

Each year thousands of migrant Chinese workers arrive at the Guangzhou train station hoping to find work so that they can repay the modest costs of their train journey, and to send money home to expectant family members. Some succeed, some don't. Juxtapose these workers next to the ranks of the new entrepreneurs, whose monthly incomes exceed the yearly incomes of the most fortunate workers, and a picture of the uneven distribution of income becomes clear, even within the relatively prosperous Guangdong province.

Crime and corruption are at all-time highs. Dr. Steven Cheung, economics professor at Hong Kong University, predicts that the future outlook for China is now more bleak than at any other time since 1981 due to corruption and lack of expertise at policy levels of government.

Moreover, many analysts believe that a downturn in the Chinese economy is imminent. No one knows when or how intense it will be, and how it will effect overseas investors. The central government is also concerned with its overheated economy and plans to limit growth in 1994 to nine per cent.

The risk of operating in China is one of the reasons Canadian businesses have not moved quickly to exploit opportunities in southern China, says Canadian Chamber President Eliza Chan. "The vacillation within China between liberalism and repression, free enterprise and collectivism, troubles many Canadians," she says.

Most business people, like Metcorp's Ng, accept that there will be short-term fluctuations in the China market, but believe the long-term prospects are positive. "People are getting rich and once they have driven a Mercedes Benz they won't drive a bike," he says. ♦

FASTFOOD IN FOSHAN

Canadian entrepreneur to see if fried chicken will fly in China

Ward Rogers had just set up an office in Vancouver and was looking at establishing a restaurant in the west coast city when a business acquaintance in Hong Kong convinced him to look at the booming consumer market in Guangdong province. With double digit growth rates and the highest per capita income in China, southern China seemed the logical location for a business.



Rogers' first fast food restaurant in Foshan

Tapping into the China contacts of his Hong Kong partner, Rogers established a joint venture with a state-owned enterprise in Foshan. Early this year, he opened his first fast-food restaurant there, and plans to open another three shops this year in Guangzhou.

While the retail market has only recently been opened to foreign investment, Rogers Fastfood already has stiff competition in Foshan as it competes against McDonalds. However, Rogers Fastfood, which specializes in fried chicken, is attempting to cater its products to the Chinese market by offering hot and spicy chicken dishes and Irish stew with rice for that Chinese-Western combination.

One of Rogers' biggest problems has been securing restaurant locations. While southern China is booming, infrastructure development is not keeping pace. Opening a business often requires entrepreneurial ingenuity like laying your own power lines, as Rogers recently discovered.

Rogers, who now speaks some Mandarin, has also had to deal with labour shortages and is now enticing

out-of-province labour with staff quarters and other benefits.

At the moment, Rogers doesn't have to worry about taking his profits out of China since he's planning to reinvest his surplus funds in other restaurants. While he is concerned about the risks of investing and doing business in China, he thinks that China has progressed so far it can't go back. "I have a lot of confidence in the China market. They have a lot of natural resources not yet tapped."

He is currently tapping some of those resources himself as all food is sourced locally, except spices which he brings in from Canada. His restaurant hardware is also imported from Canada and the U.S. as quality equipment is unavailable in China.

While connections and perseverance are important to success in China, Rogers also advises that a good contract and letters of association drawn up by a lawyer who is familiar with Chinese law is crucial. "You have to ensure that you have a proper contract in case you have trouble in the future," he says. ♦

SHENZHEN · CHINA



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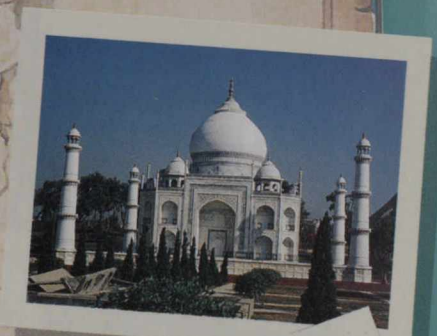
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在中國做生意的風險與收獲

加拿大的公司未必會全力進軍中國華南地區的市場，但他們卻在謹慎地探索這個經濟迅速發展的地區，所帶來的拓展業務機會。

過去的十年中，擁有大約六千萬人口的廣東省，其經濟發展每年都以百分之十八左右的速度增長，這個速度是中國其他地區的兩倍。

加拿大駐港專員公署，負責華南地區的貿易部 Anne Argyris 表示：「雖然華南地區急速發展的經濟，帶來了大量拓展業務的機會，但該地區以發展輕工業為主，這正是加拿大所欠缺的，因此加拿大的優勢遠不如香港。」Argyris 補充道：「反之，由於中國的北方著重於重工業，而加拿大正擅長於這方面，加拿大商業機構在北方則較為活躍。」

但現在的情況發生了變化，Argyris 指出：「廣東省政府比以往任何時候都更重視重工業和基礎設施的建設，以配合經濟發展，因為其基礎設施已大大制約了經濟的發展。」

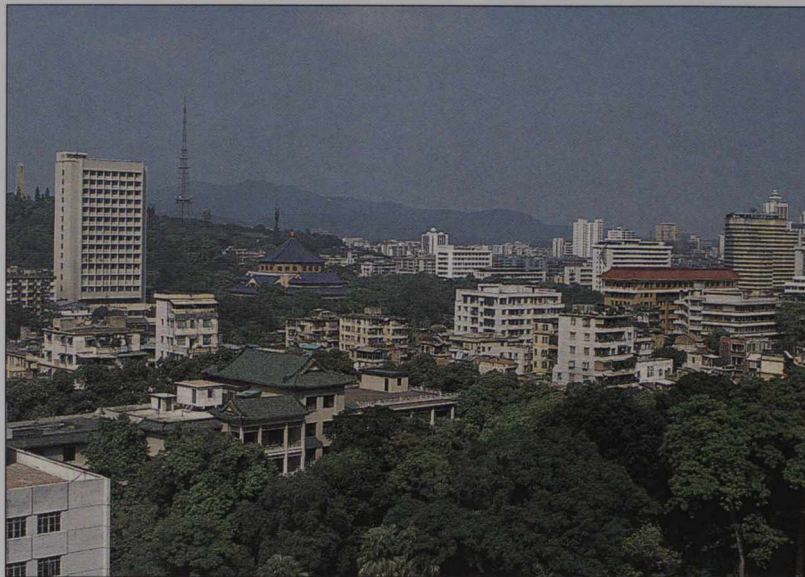
Argyris 引述了加拿大在運輸、電訊、水力發電、建築以及重工業等多方面的專業經驗後指出：「華南地區所需要的，正是我們所能提供的。」

香港中文大學講師 David Chu 與 Anne Argyris 的看法正好不謀而合。他是最近出版《Guangdong-Survey of a Province Undergoing Rapid Change》的編者之一。他說：「華南地區重工業的發展是必需的，以滿足大規模基本建設的需求，同時也確保輕工業的原料供應源源不斷。」據 Chu 氏預測，未來的十年在重工業穩步發展的情況下，廣東省的經濟每年將以兩位數的水平持續增長。

加拿大一家建築公司 Zeidler Roberts 已作好準備，利用華南地區現在發展基本建設的時機，透過與香港公司的合作，迅速在中國實施多項建築工程，包括在廣州建設一幢商住大廈及在福建興建一家酒店。

電訊系統是實現經濟現代化和吸引外來投資的先決條件。自一九七二年就活躍於中國的北方電訊 (Northern Telecom)，一九八八年已在廣東省安裝了程控電話交換系統。這家電訊公司現在正和廣東省洽談一項大型合資計劃，以建立一套為中國各地提供服務的程控電話交換系統。

十年前，中國的消費者只購買自行車、縫紉機、鐘錶及收音機等日用品，今天中國百姓的消費意向已發生顯著的變化。據 Chen 介紹，廣東居民



廣州市外景

廣東市場的迅速變化、取消價格限制、開放各行各業，意味著公司必須不斷調整業務焦點和策略。

薩斯喀徹溫省一家氫氧化鉀公司 Canpotex，其中國的營業額佔該公司海外營業額的百分之二十五。為了繼續擁有中國市場，Canpotex 於一九九三年八月在香港成立辦事處。當該公司開始失去中國市場的佔有率時，其行政人員也感到非常擔心。

Canpotex 香港區董事總經理 Howard Cummer 指出：「我們必須留在香港，以便根據中國經濟條例每月的變動，更改公司計劃。公司的首要任務是了解中國市場的轉變。」

新市場的出現，不斷引起加拿大公司的關注，加拿大許多大銀行當然不會錯過這個機會。為了向那些把投資業務轉移到華南地區的客戶提供服務，以及匯報當地貿易及金融動態，滿地可銀行與 Bank of Nova Scotia，在廣州都設立了代辦處。

滿地可銀行香港分行副總裁 Ken Dawson 表示：「中國經濟的發展不容忽視，必須融入當地市場。因此，設立代辦處與在加拿大遙控業務，其成效是不可同日而語的。」

新興消費市場

外商在中國投資之初，只集中發展製造業和出口業，直至最近才把注意力轉移到當地的消費市場。目前在香港科技大學修讀博士學位的廣東中山大學工商學系教授 Chen Zhen-Xiong 說：「中國國民的收入持續上升和零售業、服務行業的對外開放，引起外商大量投資到第三產業。」

透過收看香港的電視節目，喜歡跟隨香港的時裝潮流，購買香港時興的消費品。

以 Sweet Marie 及 Mr. Big 巧克力條馳名的加拿大公司 Neilson，最近也將業務擴展至亞洲的消費市場。

總部設在香港，負責在中國推廣及分銷 Neilson 出品的巧克力條的 Metcorp 公司負責人 Albert Ng 透露，Neilson 旨在發展中國部份市場。

Neilson 的產品，其味道及包裝上選用的金、黃、紅

三色，深受顧客的歡迎。同時，Neilson 特地選用加拿大 Mr Big 巧克力的大小來生產，以作號召，並藉此顯示其與加拿大的關係，從而獲得很好的宣傳效果。

雖然 Neilson 的產品在世界巧克力市場佔有率不到百分之一，但該公司估計，Neilson 巧克力在廣州推出三個月後，已奪取了當地百分之二十至二十五的市場。Ng 說：「雖然 Neilson 較早在當地取得了成果，然而由於在當地與 Neilson 競爭的對手，是國際巧克力條巨子如吉百利和 Mars 等，現階段很難預計 Neilson 最終在當地市場的成果。」

此外，加拿大公司亦對廣東的服務性行業有極大的興趣。過去的兩年，中國航空的客運量，每年都有約百分之二十九的增幅，並預料未來十五年，每年會以百分之十至二十的幅度上升。

加拿大航空公司駐香港區辦事處總經理 Richard Webb 指出：「由於預期中國航空客運量不斷增長，加航正考慮在廣州設立辦事處，簽發由香港出發的機票。但由於缺乏可靠的市場資料，使公司難於估計華南地區業務量的多少以及設立辦事處的可行性。」

保險業，另一項極富吸引力的服務性行業。雖然中國保險業市場主要由國營企業壟斷著，宏利保險已在中國設有三家代辦處。宏利保險大中國部副總裁 Victor Apps 稱：「即使現時仍未有一套手續讓外國公司申請有關牌照，宏利仍透過深圳辦事處，熟悉中國市場，並與當地政府機關商談設立營業辦事處的事宜。」

雖然宏利是唯一一家在中國拓展業務的加拿大保險公司，但它正與其他二十家外國大保險公司競爭，Apps 說：「幾年前，沒有人會夢想過在中國的保險業市場有任何作為。」

與香港的關係

香港已成為加拿大和其他國家公司進入中國市場的跳板。香港地理位置優越，鄰近廣東省，加上基本設施一應俱全、人才鼎盛，而且熟悉中國市場，實為一理想中介點。

Alcan Nikkei Asia Ltd.前首席執行董事Roger Hum稱：「一九八六年Alcan Aluminum選擇深圳發展首間合資企業的地點，不僅是由於深圳經濟特區享有特優的稅務待遇，而且還因為它與香港近鄰。」

現在Hum已是一位以香港為總部的商業顧問，他續稱：「兩地接鄰，便於舉行更多的會議和增進雙方的了解，促使Alcan能迅速地完成合資洽談。」

合資企業

中國的合資企業始於七十年代後期，是旨在幫助中國實現經濟現代化。由於合作夥伴可能合資籌組公司後的管理風格、政策方針、業績標準、甚至其它多項合作上的問題持有不同意見，與合資夥伴相處是有其挑戰性的一面。但合資似乎是一項比較正統的方法，幫助外國公司在這一個獨特的商業文化下運作，同時可以更有效地適應中國的繁瑣政策。

總部設在Dorral的電訊設備製造商Harris Farinon Canada於一九九三年五月在深圳成立了一家合資企業，以製造微波電訊發射塔的裝備為主。

雖然Harris Farinon在中國經銷已有十多年歷史，但公司最終還是決定在當地設立辦事處，以保證後勤服務。

深圳Harris Telecom Company Limited董事總經理Pierre Bernier指出，商談合資及作可行性研究計劃須花一年半左右的時間。Harris Farinon與其合資夥伴所碰到的困難不多，但合資並不一定適合每一家公司，他說：「在你計劃成立合資企業之前，必須明確這是你心目中的意願，因為合資並不是一件容易的事情。」

Alcan Aluminum也發現，選擇合資夥伴對其成功與否起了關鍵作用。與實力雄厚的中國國家有色金屬實業公司合作，協助了這家加拿大鋁工業製造公司在中國建立及經營第一家全面的集成鋁金屬設施製造企業。

Hum指出，雖在當地尋找原材料會很困難，特別是在經濟增長較快的情況下，但Alcan在實力雄厚合資夥伴的協助下，克服了這一困難。Alcan合資夥伴控制著全中國百分之七十鋁金屬製成品的生

產量，以及僱有一百多萬員工。

大部份合資企業的夥伴，如同Alcan一樣，都是國營企業，而這些企業通常扮演兩個角色，一是賺取利潤；二是協助政府實現既定的經濟目標，簡言之：商業就是政府，政府就是商業。

中國雖然在市場上作了顯著的改革，但很大程度上，經濟仍然由國家控制。Argyris勸告：「當你在跟著政府機關洽談當地的項目，而這些項目需要中央政府融資及批准，你必須經常與客戶以及北京方面保持聯繫。」

雖然選擇合資夥伴，必須注意對方是否具備專業經驗、誠實可靠以及信譽良好，但一個有適當關係的夥伴是極具重要的。

關係

美籍華裔企業家Yue Sai Kan說：「在中國經營一項成功的事業，屬下必須有很多良好的關係網，使你耳聽目明、業務運行無阻。你亦必須有一班出色的人，他們熟悉中國情況，與各階層關係良好，為你安排一切、聽取意見和收集資料。」以上摘錄自一九九三年八月十七日出版的《國際先驅論壇報》。

關係或稱聯繫，是在中國建立和經營一門成功生意的關鍵因素。物色合適的合資夥伴、合同的批准、以及尋找當地原材料，依靠這些關係是相當重要的。

Argyris稱：「你需要花點時間與政府官員溝通，培養良好的關係，有效的聯繫是尋找合適夥伴不可忽視的一環。」

「關係」是加國建築公司Zeidler得以順利進入中國市場的原因。Zeidler Roberts在香港辦事處副總裁Mel Satok說：「我們的工作是建立在長久的合作關係上，現在與香港公司的競爭最為激烈。」

Argyris建議商業機構多參與到中國考察的貿易代表團，並趁著前往加拿大訪問的中國貿易團之便，與中國企業和政府建立關係。

貪污

大多數商人均不願公開地談論中國的貪污問題。他們大部份都表示，私下沒有牽涉入行賄或受賄的事件中，他們只表示知道有人參與。

據商業顧問及前Alcan的行政人員Roger Hum透露，處理貪污問題，最佳辦法莫過於立即拒絕任何賄賂要求。他說：「如果你一開始便堅持拒

絕，那你便無須受到騷擾。否則，那些人便會乘機利用你。」

據Albert Ng透露，那些在中國作短線投資的公司，比較容易牽涉入貪污事件，但他補充道，假若你打算在中國作長線的投資，切記凡事不要急進，那便可以避免行賄。

此外，Albert Ng認為，倘若你甘願接受行賄要求，那麼事情會立即辦妥，但並不能保證那些受賄的人可幫助你事事暢通無阻。

事實上，要求『好處』比受賄的行為更普遍。大部份加國商人都會提供『好處』，包括邀請大陸商人或官員訪問加拿大公司，此舉不但是合法的商業行為，而且還可令潛在的中國夥伴獲益良多，比貪污更實惠。

風險

在中國投資，所冒的風險與所得的收獲是成正比的，其實這並不足為奇。

每年數以千計的外省勞工抵達廣州火車站，渴望找著工作，以籌回火車旅費及將部份酬勞寄回家鄉，當然其中有成功亦有失敗的。將這些外省勞工與另一階層的新進企業家相比，你會發現，這些企業家每月的收入往往高出那些外省勞工的全年工資，這種收入懸殊的現象已越來越明顯，即使在比較繁榮的廣東省，這種現象亦很突出。

此外，犯罪及貪污情況亦相當嚴重。香港大學經濟系教授張五常博士預測，由於貪污問題以及政府缺乏專業經驗制定政策，中國的前景將比一九八一年後的任何一段時間都要暗淡。

況且，若干分析家相信，中國經濟已出現明顯逆轉，無人能預料何時或怎樣加劇。同時，這一情況將對海外投資者有何種影響，亦難以預測。中央政府已經對國內經濟過熱的情況表示關注，因而計劃把一九九四年的經濟增長限制於百分之九以內。

加拿大商會主席陳清霞表示：「加拿大商人沒有迅速在華南地區拓展業務，其中的一個原因，就是擔心在中國投資會遇到風險。此外，中國在自由主義與壓抑主義之間，自由企業與集體方面的政策舉棋不定，亦是令加拿大商人感到憂慮的原因。」

Metcorp的Albert Ng有如其他大部分的商界人士一樣，同意中國市場將出現一個短時期的波動。但他相信，中國的未來是繁榮的。他表示：「當內地人漸漸富裕起來，出入以車代步時，他們是不會走回頭路，騎回自行車的。」



NEW CANADIAN RULES ON THE TAXATION OF FOREIGN INCOME

by Sonja Chong



"The Budget raises revenue in the fairest way possible. It better targets incentives, closes loopholes, and brings equity to Canada's tax system." - *The Honourable Paul Martin, February 22, 1994.*

On February 22, 1994, the Minister of Finance announced major changes to the foreign affiliate rules which govern the taxation of foreign source income.

While it remains to be seen whether this budget will bring equity to Canada's tax system, it will certainly tighten the rules relating to earning foreign income.

Background

The rules relating to foreign affiliates of Canadian companies are complex. They seek to ensure that Canadian companies carrying on business outside Canada through foreign companies are not placed at a disadvantage compared to multi-national companies based in other countries. On the other hand, the rules also seek to ensure that foreign affiliates cannot be used to shelter passive income (whether foreign or Canadian) or income that has been diverted somehow from Canada.

Historically, the rules had been designed so that a Canadian shareholder would not pay tax on active business income of a foreign company until that income was paid as a dividend to the shareholder. In addition, the dividend would be received tax-free by a Canadian parent company if the foreign affiliate resided in a "listed country" prescribed by the Income Tax Act (Canada). This is particularly attractive if the affiliate is in a low-tax jurisdiction.

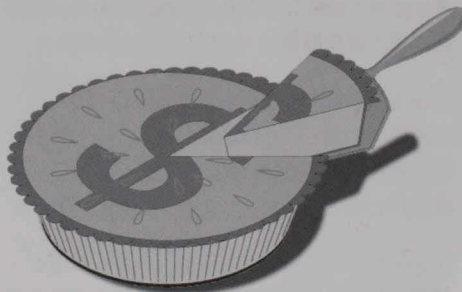
On the other hand, foreign accrual property income (FAPI), which consists of passive income such as interest, rents, dividends, and certain capital gains of a controlled foreign affiliate, is subject to Canadian tax as it is earned by the foreign company. This rule is extremely onerous as it requires advance payment of Canadian tax, even though no funds have been repatriated to Canada.

Proposed amendments

The amendments are to be effective for taxation years starting in 1995. If enacted, they will:

- expand the definition of a foreign affiliate;
- for the first time, define active business income and FAPI, and in doing so, eliminate a variety of international tax structures designed to avoid Canadian tax;
- disallow the deduction of business losses against the FAPI of a foreign affiliate; and
- limit "listed countries" to those countries which have a tax treaty with Canada.

This article does not review the changes. Rather, it highlights through an example, the more significant changes as applied to a Canadian person with business interests in Hong Kong.



An illustration

A Canadian resident individual, Mr. Wong, emigrated to Canada in 1990. Mr. Wong owns:

- an eight per cent interest in a Hong Kong company (HKCo). The other 92 per cent is owned by his brother. HKCo has one employee and owns a number of flats in Hong Kong, generating annual rental income of C\$200,000;
- a Canadian company (Canco) which imports toys from a Hong Kong company (Subco). Subco is owned equally by Mr. Wong and his brother. It buys the toys from China at C\$10 per unit and sells them to Canco for C\$12 per unit, thus netting a per unit profit of C\$2. Canco then sells the toys to Canadian wholesalers for a profit of C\$3 per unit. The toys are shipped directly from China to Canada.

The question is: How would the proposed amendment affect Mr. Wong's tax position?

Starting in 1995, Mr. Wong will have to include C\$16,000 of rental income as his personal FAPI. This happens even if he does not receive any dividends from HKCo. The reason is HKCo will now be Mr. Wong's controlled foreign affiliate (CFA) since his brother, i.e., a related person, controls HKCo. Previously, Mr. Wong would not have any FAPI inclusion since he owned less than 10 per cent of HKCo. This resulted from a change in the definition of foreign affiliates, and may have unforeseen and adverse tax consequences.

While FAPI of a controlled foreign affiliate is taxed on a current basis, foreign active business income is taxed only upon repatriation. Currently, there are no "bright line" rules to distinguish active from passive income. In Mr. Wong's case, since Subco is in the business of buying and selling toys, i.e., a trading business, arguably, it is engaged in active business. As such, its C\$2 of trading profit will only be subject to Hong Kong tax. This is about to change.

Mr. Wong will now be required to include 50 per cent (i.e., his share) of the trading profits of Subco as FAPI. This is so unless all or substantially all (generally interpreted to be 90 per cent or more) of the gross income from Subco from the sale of property is derived from sales to arm's length entities.

Conclusion

The new rules will have far-reaching tax consequences for many international structures. Some arrangements will need to be altered, and others dismantled altogether. Now is the time to review international operations before the new rules come into effect. ♦

Sonja Chong, C.A. is a partner specializing in income taxation at Braithwaite Harris Cadesky & Chong in Toronto. The firm is affiliated with Cheng & Cheng Certified Public Accountants, Hong Kong.



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AN INTERVIEW WITH CHAMBER PRESIDENT, ELIZA CHAN

The Chamber and China - Directions for the Future

by Harold Mandel

Q1. WHAT IS THE CHAMBER DOING TO PREPARE FOR THE TRANSITION OF THE TERRITORY TO CHINA IN 1997?

I think we have to appreciate and accept that 1997 is a process and not a date. In many ways that process of change started some time ago and will accelerate towards 1997 and continue beyond. The economic integration between Hong Kong and China means the centre of gravity of Hong Kong's relationship with China has shifted massively into the economic arena and away from the diplomatic and political one. It means that economically, 1997 has already happened. Partnership between Hong Kong and China is already a fact of life. I do not expect the change in sovereignty in 1997 to make much difference to the continuance of this economic integration.



Since the signing of the Joint Declaration in 1984, Hong Kong's various connections with China have multiplied many times over with the attendant consequence that Hong Kong's political, legal, and economic future is now more closely tied to China than ever before. As China's economy has grown, Hong Kong's role as the interface between China and the outside world has become more important and profitable.

Accordingly, the Canadian Chamber of Commerce in Hong Kong is closely monitoring economic developments in China and in Hong Kong's domestic economy. The presence of Canadian business in Hong Kong - symbolized by the Canadian Chamber of Commerce in Hong Kong, the largest Chamber organization outside Canada - is an effective and visible sign of the Canadian role and participation in Hong Kong.



The Chamber's role is to facilitate and promote Canadian trade and business with and between Hong Kong and



Chinese companies and enterprises. In fulfilling this role, we have organized activities such as fact-finding missions to the Pearl River Delta Zone, trade shows, and seminars highlighting the economic development of China and business potential of the Canada-Hong Kong-China relationship.



Additionally, the Chamber is now debating whether, in light of the economic interrelationship between China and Hong Kong, it should be redesignated as the Canadian Chamber of Commerce in Hong Kong and China and whether it should establish a branch office in China or formalize associations or affiliations with Chamber organizations in China. This debate is consistent with our belief that Canadian business will substantially ignore parochial issues relating to China as a whole.



Q2. WHAT IS THE PURPOSE OF THE CHAMBER'S MISSION TO SHANGHAI AND BEIJING?

We consider it important to deliver the message to Chinese business that our Chamber is aware of the business potential of China and that we would like to expand the jurisdiction of our Chamber to enable us to better service our members and the Canadian business commu-

nity by providing business contacts and information relating to China.



Q3. HOW WILL THE CHANGES MADE TO THE CHAMBER'S CONSTITUTION HELP TO EXPAND ITS ACTIVITIES INTO CHINA?

We have amended the constitution of the Chamber to permit us to explore various options which may present themselves in connection with enlarging the area of jurisdiction of the Chamber. These options will almost certainly include the establishment of a branch office in China or the establishment of close affiliations or associations with Chamber or trade organizations within China. The Chamber mission to Shanghai and Beijing is the first step in this process.



Q4. IN WHAT FORM DO YOU SEE THE CHAMBER'S INVOLVEMENT IN CHINA OVER THE NEXT FIVE YEARS?

The popular view, and one which incidentally I agree with, is that China's economic growth is irreversible and will steadily increase during the next decade and beyond. Hong Kong will remain for some time the premier gateway city to China and the Chamber, based as it is in Hong Kong, will continue to facilitate the fostering of business and investment activities between Canada, Hong Kong, Southern China, and indeed, Greater China. The expansionary growth of China's economy may not be 'smooth sailing' all the way, and there are bound to be tensions and issues which affect business relationships in the coming years. Hopefully, the Chamber, through its own network in Hong Kong and China or through a number of close associations with other trade organizations in China, will be in a position to provide a means through which issues, grievances, and problems can be discussed, clarified, and resolved. ♦



THE CANADIAN CHAMBER OF COMMERCE IN HONG KONG

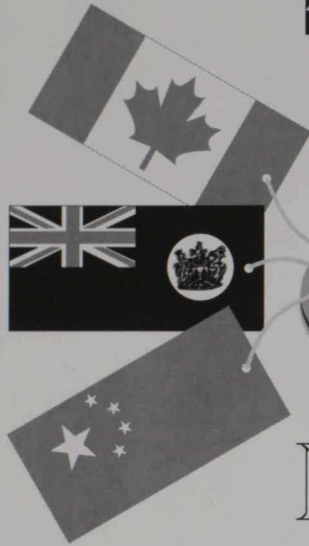
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Canada's Business Voice

2 May, 1994

Hong Kong

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Linguistic License In Hong Kong

BY JACK MOORE



When you live as a Canadian expat in Hong Kong, you learn to forgive the city for most of its little linguistic idiosyncrasies.

You no longer bother to notice, for instance, how many beauty salon signs say "beauty saloon." (Today's special — A shot of red-eye, a pint of San Mig, and a pixie cut for only \$325.) And when you see arrow-shaped signs indicating the direction for "pedestrians," you no longer wonder whether you are required to walk or have wheels.

Eventually, you even lose that queasy feeling created by the ominous-yet-ubiquitous Hong Kong signs that say: "WHEN THERE'S A FIRE, DO NOT USE THE LIFT." (Not IF there is a fire, you understand, but when there is a fire...as there surely will be.)

Supermarket standards

But, for some misleading signs this city simply cannot be forgiven — such as the one across the street from my apartment, which says: "Supermarket."

No, sorry. You can't fool me — I'm from Vancouver. That establishment is not a supermarket.

In fact, it just barely qualifies as a grocery store — as do almost all the other "supermarkets" in the territory.

(I refer here to Hong Kong's two major chains of "supermarkets," one of which seems to have its name spelled incorrectly, and the other of which has "Park" in its name, even though it seldom offers customers any place to put their cars — should they be courageous or crazy enough to drive in this city.)

I don't think modern supermarkets were invented in Canada (although that's entirely possible), but certainly my homeland is plentifully endowed with these vast and bountiful temples of consumerism — and I feel I can speak for most expat Canadians in Hong Kong when I say I greatly miss them.

Furthermore, I feel sorry for the generations of Hong Kongers who have grown up believing that a "supermarket" is a 1,500 square-foot emporium containing 1,299 square feet of merchandise, where customers use shopping cars as offensive weapons, the staff is often actively hostile, and the stress level is roughly the same as on the MTR at Admiralty, at 6:15 on a Friday night, or in downtown Sarajevo at high noon.

The real thing

No, no, good friends — those are not real supermarkets.

Real supermarkets are wonderful. Real supermarkets have aisles as wide as Nathan Road, soothing Barry Manilow music on their sound systems, and employees who will cheerfully show you where to find the celery.

Real supermarkets have bakeries right in the store, and many places to park outside. Real supermarkets have huge cheese selections, and they stock Clamato juice so you can make Bloody Caesars (which Hong Kong bartenders can't do).

RIn a real supermarket, wandering throughout the store at a dazed and leisurely pace behind your shopping cart, you are aware that in its own way this place is the apex of twentieth-century Western commercial culture — a big, bright, spacious, and skillfully-designed modern milieu in which the entire efforts of many of the world's largest industries have been transformed into a bewildering array of wares, in a carefully-contrived presentation assembled exclusively for your benefit.

In a real supermarket, these goods are not restricted to groceries and household essentials. In a real supermarket you can buy a paperback novel or a Parcheesi board or a tube of glue or a tire iron. A real supermarket stocks about 65 different kinds of laundry soap, fresh pineapple, cold remedies, and a leash for your dog. You could live your entire life in a real supermarket and never want for anything.

More important, in a real Western supermarket — no matter what kind of non-entity you might be anywhere else — you suddenly metamorphosize into the most important person in the entire scenario.

Supermarket VIP

Once you enter a real Western supermarket, you're The Consumer — the crucially-important individual on whose behalf all the agriculture, manufacturing, packaging, R&D, transport, wholesaling, administration, marketing, and retailing represented in that vast store has been assembled and put in motion.

From grain fields and farms and orchards and ranches and factories, by way of freight trains and container ships and long-haul trucks, through the efforts of hundreds of administrative and service staff members, propelled by the impetus of gigantic and sustained marketing campaigns, a real supermarket will present you — The Consumer — with a wealth of merchandise designed to overload the imagination.

In a real supermarket, employees are primarily paid to make sure that you — The Consumer — are utterly delighted with everything around you, and thus prepared to happily part with currency in exchange for retail goods.

In a real supermarket, in anything seriously calling itself a supermarket anywhere between Nanaimo and St. John's, The Consumer, no matter who he or she is, is elevated to VIP status — or at least is treated that way, which amounts to the same thing. In Hong Kong.....ah well, as is the case with so much in Hong Kong, things are different.

Now, you'll have to forgive — I must go shopping. Last time I checked, the "supermarket" across the street still had about half of the groceries I need to buy — and the cashiers were due to come back from their tea break any minute. ♦

Jack Moore is a Canadian freelance writer living in Hong Kong.



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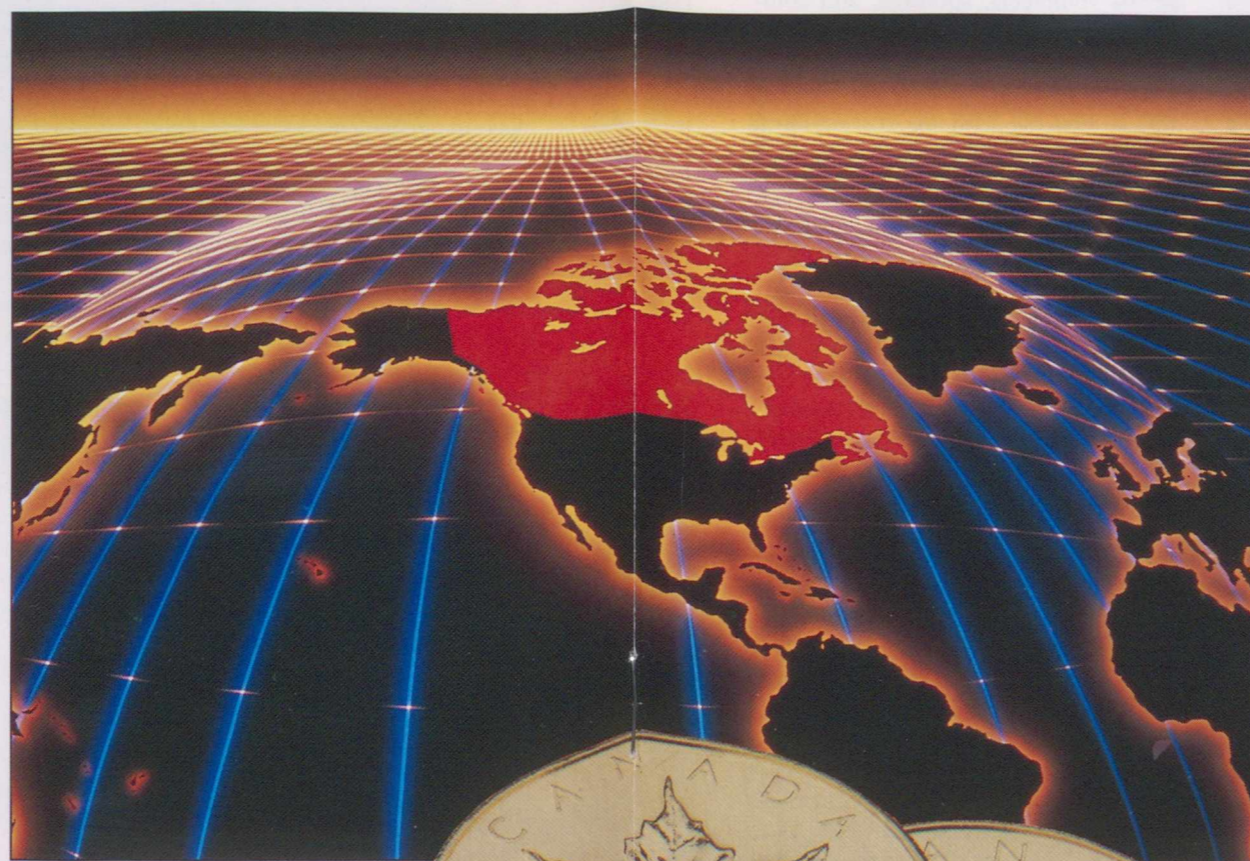
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becomes reality, Canada offers investors access to a growing North American market—more than 151 million people live within one trucking day of the Canada-U.S. border.

Canada is not only a prime investment location. It's a prime location for people. Canada enjoys one of the highest

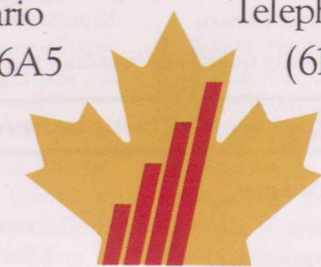
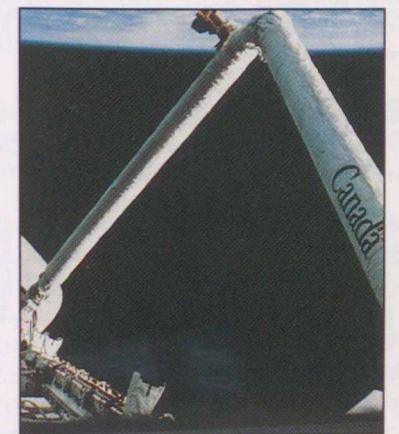


standards of living in the world. Together with its enviable quality of life—cosmopolitan cities, unparalleled natural attractions and world-class cultural activities—Canada offers an unbeatable combination of economic strength and appealing lifestyle.

These are some of the reasons why investors are coming in record numbers to Canada.

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**INVESTMENT
CANADA**

Voyageur Award 1994...

the countdown begins

◆ by Brenda Heward ◆

Focus, focus, focus...is the advice of inaugural Voyageur Award winner Bob Thorssen. "Being the first recipient of the Voyageur is a great honour - the Award holds a very prominent position in my new office." And a new office it is, as Mr. Thorssen expands into 5,000 square feet in Central, under the name City Space Asia. He believes the key to being successful in Hong Kong and China is, "finding the right local business partners and patience - that doesn't mean sitting back waiting for something to happen." It's also about credibility, and an award like the Voyageur shows "staying power" - a quality that's key to being an entrepreneur in Hong Kong.

Ed Rubin, a member of the 1993 judging team, stresses, "One shouldn't underestimate his or her chances of

success with the Voyageur. The judges for 1993 were very open-minded and pleasantly surprised with the good quality of applicants." Making a choice was not easy, as the competitive edge a successful entrepreneur needs was evidenced in their applications.

1994's Chairperson for the Voyageur Award, Helen Wong, says, "Participating in the committee has allowed me to keep in touch with the Canadian community and to do something proactive for the Canadian Chamber of Commerce." One of her goals has been to increase circulation of the award nomination ballots and to increase Chinese-Canadian participation. Her committee has achieved this with the tremendous assistance of the Hongkong Standard and Sing Tao newspapers, who not only run ballots on a weekly basis,

but also interview potential "voyageurs".

Hongkong Telecom has also been a huge supporter and is the sole corporate sponsor of the award for the second year running. The company has been instrumental in the financing of, judging, and prize allocation for the whole program - a huge commitment from a company which, characteristic of a Voyageur, often forges ahead into unknown territory.

An Award program can't succeed without an ambitious group of volunteers, sponsors, and committed entrepreneurs. Countdown for the announcement of the winner has begun and excitement escalates as we wait to find out who this year's winner is at the Chamber's Spring Ball on May 28. Stay tuned... ◆

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AN INTERVIEW WITH RAYMOND CHAN



by Gerald Lamoureux

Canada's first Secretary of State for the Asia Pacific Region is quickly learning that being in politics means that everything you have said and done, past and present, comes under a microscope.

When Hong Kong-born Raymond Chan won a seat during the federal election in his Richmond, B.C. riding last October, he was only the third Chinese-Canadian to be elected a Member of Parliament. A few days later, this 42-year old Vancouver engineer and businessman was appointed to the newly-created position of Secretary of State for the Asia Pacific Region.

The history of Chan's family is familiar. His father was a soldier in Chiang Kai-Shek's Nationalist army during the 1930s. When the Communists took over in 1949, Chan's father and mother fled to Hong Kong. In 1969, at the age of 17, Chan was sponsored by his sister to immigrate to Canada.

Chan, who speaks fluent Cantonese and Mandarin, attended the University of British Columbia and worked for 16 years in its physics research facility. He has also owned and operated two restaurants in Vancouver.

But what has captured public attention is his work with the Vancouver Society in

Support of the Democratic Movement in China. It was as Chairman of this organization that he was expelled from China just three years ago while protesting in Beijing in support of Chinese dissidents.

Today, Chan insists there is no conflict between his past support of the pro-democracy movement in China and his new appointment. "All along, I've seen myself as a Canadian advocating human rights for China, an activity I've pursued as a friend to both the Chinese government and people," he says.

According to Chan, Guangdong officials did not seem bothered by his past human rights activities and gave him the "red carpet treatment" during his visit there in early January.

Although Chan makes no secret of the fact that human rights issues in China concern him, he opposes using economic sanctions to pressure Beijing. Instead, he feels that cultural, social, and economic exchanges are more effective ways to encourage democracy and respect for human rights.

While Chan stresses that his views as Secretary of State haven't changed from his pre-politics days, there is some evidence that they have, at the very least, evolved.

In 1991, as Chairman of the Vancouver Society in Support of the Democratic Movement in China, Chan wrote a letter to the Vancouver Sun which stated: "This is not an appropriate time for Bill McKnight, our Minister of Agriculture, to be visiting China - a gesture which will be interpreted as an endorsement of the hard-line policies of the People's Republic of China on human rights and political reform...There might be western countries such as Japan willing to sacrifice their support for human rights and democracy for political expediency or investment favouritism and trade opportunities. However, many others stand firm on human rights issues."

As Secretary of State for Asia Pacific, Chan's focus is two-fold. He intends to support the efforts of Foreign Affairs and International Trade by assisting in the development of Asian economies and society through the advancement of government, legal and political processes, and country resources. He says he

will also help develop Canada's bilateral relationships fostering trade and other opportunities for Canadian businesses.

Chan is working with International Trade Minister, Roy McLaren, to review how the government and private sector can coordinate efforts to help small and medium-sized businesses enter Asia.

"What we need to do is alert Canadian industries of the potentials in Asia. A lot of them aren't export oriented to Asia because of the proximity of the U.S.," he says.

"Canadian technologies and know-how are complementary to Asian industries, so what we want to do is provide support to small and medium-sized businesses to establish partnerships, joint ventures, and trading opportunities so that individuals explore the market and see the potential in the Asia Pacific region."

As Secretary of State for Asia Pacific, Chan's views on 1997 are also under scrutiny.

Before his appointment to the Privy Council, he warned that Hong Kong residents had much to worry about in 1997. Today, Chan downplays the dangers. "China, being part of the international community, should and would respect the agreement they have signed," he says. "We expect China to behave rationally."

While not having the power or full privileges of a cabinet minister, Chan still influences cabinet decisions. He is often invited to sit in on cabinet discussions, has access to cabinet documents, and has better access to the Ministry of Foreign Affairs and International Trade than he would have as a Member of Parliament.

While Prime Minister Jean Chretien cut the size of cabinet, Chan's addition as Secretary of State for Asia Pacific signals Canada's commitment to the region. While it is not clear at this point how Liberal policy in the Asia region will differ from that of the Conservatives, Chan says that the creation of his portfolio is evidence of a change which will result in a much higher level of contact between Canada and Asia Pacific countries. ♦





NEWS FROM THE COMMISSION FOR CANADA

IN THE LAST ISSUE OF CANADA HONG KONG BUSINESS, WE OUTLINED SOME OF THE SERVICES OFFERED BY THE COMMISSION IN A NEW FEATURE ON WHAT'S GOING ON AT THE COMMISSION FOR CANADA. IN THIS ISSUE, WE HAVE ANOTHER LOOK AT THE PUBLIC AFFAIRS SECTION AND HIGHLIGHT SOME OTHER EVENTS AND CHANGES AT THE COMMISSION.

Public Affairs

The Public Affairs section organizes various cultural and public affairs activities throughout the year involving Canadian artists and the Canadian community in Hong Kong.

The Commission's press spokesperson, Neil Reeder, deals with local and international press on questions relating to Canadian Government policy and activities in Hong Kong and the region.

A small library of Canadian fiction and reference material can be used by the public on an appointments-only basis. Anyone interested should consult Tammy Lo at 847-7468 to make an appointment.

Upcoming Trade and Investment Activities

Environment China '94 Exhibition, Guangzhou, June 4-8

- The Trade Section is looking to promote Canadian environmental products and expertise at one of the first sector-specific trade shows in Guangdong province. For more information, contact

Commercial Officers Endy Chung or Zita Yau (847-7414).

Securitex '94, June 8-11, Hong Kong

- Canadian companies will be coming to Hong Kong for this security products trade show. For more information, contact Commercial Officer Brian Wong (847-7414).

IBEX '94 (International Building and Exhibition Show), June 22-25, Hong Kong Convention Centre

- The Trade Section is organizing a Canadian Pavilion with more than 20 participating Canadian companies which will showcase Canadian building products, equipment, technology and services. For more information, contact Commercial Officer Chris Li (847-7414).

Business Immigration

Priority Processing

- Backlogs in the business section have virtually been eliminated and applicants will receive an interview within about three months after applying. However, if applicants have the required documentation and request an earlier interview, this can be arranged, normally within three weeks.

Counselling Service to Prospective Applicants

- The Business Immigration Unit is now providing a free information and counselling phone and walk-in service for prospective applicants who require information about the entrepreneur, investor, and self-employed categories before making a decision to apply. To speak to a Business Immigration Officer, call 847-7304 or come to the

Business Immigration section on the 13th Floor, Tower One, Exchange Square during the following hours: Monday, Tuesday, & Thursday: 1:30-4:00 p.m.; Wednesday: 8:30-10:30 a.m., or Friday: 1:30-3:00 p.m. For more information, call 847-7304.

Applicants from China

- Applications from China are increasing and are accepted, provided applicants have a mailing address in Hong Kong, Macau, or Taiwan. Due to problems with supporting documents from China, the business unit indicates that it is prepared to be flexible. However, they stress that the onus is on applicants to prove that they meet immigration requirements.

1993 Trade Statistics

Initial 1993 figures from Statistics Canada show Canadian exports to Hong Kong increased in 1993, with the exception of gold.

Canada's overall exports to Hong Kong were worth some C\$760 million in 1993, compared with C\$820 million in 1992. The seven per cent drop in total exports for 1993 includes an estimated 70 per cent drop in gold exports. In 1992, gold exports were nearly 40 per cent of Canadian exports to Hong Kong, so the decrease in gold exports had a significant impact on total trade figures.

Based on an analysis of the detailed figures for the first nine months of 1993, Canadian food exports to Hong Kong increased 20 per cent, manufactured goods increased 40 per cent, and raw materials increased by 65 per cent.

According to Statistics Canada, Hong Kong exports to Canada in 1993 were up five per cent to C\$1.12 billion, meaning two-way trade totaled some C\$1.9 billion. ♦



PROFILE - THE CANADIAN TRADE OFFICE IN HONG KONG



As business in Hong Kong increasingly focuses on the China market, Canada's Trade Commissioners are adjusting their priorities accordingly.

"Our priorities are to build on the business synergies of the Canada-Hong Kong-China triangle," says Scott Mullin, the senior Trade Commissioner who heads up the Commercial Division, or trade office, of the Commission for Canada in Hong Kong. "We have to look at how better to use Hong Kong as a base for business in China and how to get more focused on our efforts in China."

According to Mullin, that focus on China is already evident with the Commission's efforts to organize, with the Canadian Chamber, an upcoming trade and investment seminar called "Profiting from Partnership." The conference, which will be held in Hong Kong and Guangdong in early May, will emphasize the relationship between the Hong Kong and southern China markets.

Recently, a separate South China trade office at the Canadian Commission in Hong Kong reported to the Canadian Embassy in Beijing. Now, that office is an integrated part of the Hong Kong trade office.

Canada's worldwide Trade Commissioner Service, celebrating its 100th anniversary this year, provides market information and helps Canadian companies develop their overseas business strategies and market intelligence by providing up-to-the-minute information to help implement that strategy.

The Hong Kong trade office is focusing its promotional activities in the following sectors, where Mullin thinks there are good opportunities and Canadian companies have an advantage: building products and services, telecommunications, electronics and computers, food and agriculture, environment, and infrastructure projects in Hong Kong and China.

In Hong Kong, there are about 30 to 40 inquiries a day from Hong Kong companies asking about Canadian products and Canadian companies asking about the local market. "We play matchmaker," says Mullin. "Our commercial officers have good local contacts."

Obviously, the recent closure and downsizing of a number of provincial government offices has affected the workload of the Commercial Division at the Commission. "We do our best to provide the service we do," says Mullin. "We are extremely busy."

Mullin stresses that they aren't working alone to help Canadian companies in China. "There is great effort to work together with our offices in Taipei, Shanghai, and Beijing to identify opportunities."

Call 847-7414 or fax 847-7441 to make an appointment to speak with one of the commercial officers. The office, located on the 13th floor, Exchange Square, Tower One, is open from 8:30 a.m. - 12:30 p.m. and 1:30 p.m. - 17:00 p.m. ♦

Commercial Division, Commission for Canada

Sitting (from left to right):

Chris Li (Commercial Officer), previously with the Hong Kong Trade Development Council in Shanghai, concentrates on building products and related services.

Endy Chung (Commercial Officer), who focuses on the energy, power, and machinery sectors, previously worked for a Japanese trading company and the Ontario government office in Hong Kong.

Lawrence Leung (Commercial Officer) has 10 years of China trade experience, including work with a Japanese trading company in Shanghai. His priorities are transportation and infrastructure projects.

Brian Wong (Commercial Officer), who worked in Canada for seven years as a project and programme engineer, focuses on the telecommunications, electronics, and computer sectors.

Standing (from left to right):

Amy Yung (Investment Officer) is responsible for promoting investment in Canada by assisting companies planning to invest in Canada or form business ventures with Canadian companies. She has a strong background in corporate and private banking and was previously with Citibank in Hong Kong.

Anne Argyris (Trade Commissioner) came to Hong Kong after one year of Mandarin language training and three years with the Canadian Embassy in Beijing. Anne concentrates on south China.

Scott Mullin (Senior Trade Commissioner) is responsible for Canada's trade programme in Hong Kong, Macau, and south China. Scott arrived last September after two years as Spokesperson and Press Secretary to the Minister of Foreign Affairs. He previously served in Tebran, Beirut, and Nairobi and started his career in Hong Kong from 1977-81.

Steven Gawreletz (Trade Commissioner) joined the Commission in 1990 and concentrates on Hong Kong. Steven's previous assignments include Los Angeles, New York, and the Japan and U.S. trade development divisions in Foreign Affairs and International Trade Canada.

Miranda Wong (Commercial Officer) recently joined the Commission and is responsible for food and agriculture. She has a degree in food science from the University of Alberta and has worked with the American Beef Federation in Hong Kong.

Zita Yau (Commercial Officer), whose main responsibility is the environment sector, has been with the Commission since 1990. Before that, she worked for eight years in marketing.





WILLIAM A THOMSON
Chairman, Legal & Policies Committee

MANAGING PROSPERITY

Hong Kong's Financial Secretary, Sir Hamish Macleod, had the enviable task of delivering Hong Kong's 1994/95 budget under this title on Wednesday, March 2, 1994. Early on in his presentation he admitted that his 1993/94 forecasted HK\$3.4 billion deficit would not be realized, but rather that Hong Kong would see a HK\$15.5 billion budget surplus. The size of the surplus seems to have blunted any criticism of the forecasting techniques Sir Hamish used.

Of significance to those of us earning a salary, especially those who may be subject to tax on only part of their salary or who move to or from Hong Kong midway through a financial year, were the announced changes to the salaries tax system. Slightly fewer than half of all Hong Kong wage earners presently pay salaries tax, and the overall effective salaries tax rate is 8 per cent. From April 1, the basic allowance (personal exemption below which tax is not charged) will be increased from HK\$56,000 to HK\$72,000, and child allowances will be increased from HK\$17,000 to HK\$20,000. As a result of this largesse 420,000, or almost one-quarter of salaries taxpayers, will drop off the rolls. A single income family of four will need an income in excess of HK\$184,000 to pay any salaries tax.

Also of note was the reduction of Kai Tak's departure tax from its HK\$150 level, which made it one of the most

expensive departure points in Asia, to HK\$50 which now makes it one of the least expensive in the region. The standard company profits tax rate has also been reduced 1 per cent to 16.5 per cent of net profits.

Two other interesting facets of this budget concern the vehicle first registration tax and duty on cigarettes. Cars are very expensive in Hong Kong, primarily because of a first registration tax that doubles their price in an attempt to discourage the ownership of private vehicles which pollute the environment and crowd Hong Kong's already congested roads. Hong Kong is well known as a major market for luxury cars, and Sir Hamish admitted that car ownership is increasing far more quickly than estimated.

To alleviate at least one of the evils wrought by additional cars, Sir Hamish has made special provision for electric powered cars to be exempted from this first registration tax. Should Rolls Royce or Mercedes decide to make an electric powered car, they could find a ready market in Hong Kong.

On another point, Hong Kong officials may wish to confer with their Canadian counterparts to decide how best to tax cigarettes. Two years ago, alarmed at the health and other risks posed by cigarette smoking, Hong Kong dramatically increased duty on cigarettes, and last year that duty was increased in line with inflation. The Hong Kong government has found, to its surprise, that revenue from this duty decreased over the past year because the risks of smuggling cigarettes into Hong Kong are now outweighed by potential profits. They may wish to talk to their Canadian counterparts, who also

find that it is next to impossible to extract high cigarette duties when the large country next door does not.

WILLIAM A. THOMSON
Tax Manager
Deloitte Touche Tohmatsu

CANADIAN BUDGET HIGHLIGHTS

On February 22, 1994, the Finance Minister from the new Liberal government announced the 1994 federal budget. There are no new taxes, but some proposed changes will result in higher tax liabilities for some Canadian corporations and financial institutions.

Canadians are responsible for C\$510 billion of debt at the federal level and C\$185 billion at the provincial level. The total net government debt at the end of the 1993/94 fiscal year represents a debt to Gross Domestic Product (GDP) ratio of approximately 100 per cent. The government chose a two-stage approach to tackle the deficit problem - this budget laid out the plan for deficit reduction and started the process. Next year's budget will deliver the real attack on the structural deficit. Canadians must therefore wait for the results of the reform and restructuring of the major social programs.

Overall, the economy (GDP) is expected to grow at three per cent with low inflationary pressure. Unemployment is expected to remain at around 11 per

cent for the year. To a large extent, the government has left the proposed economic expansion to look after job creation in the country.

Selected tax changes include:

- The C\$100,000 capital gains exemption will be eliminated for dispositions after the budget date. Individuals will be allowed to make an election in filing their 1994 tax returns to trigger all or a portion of capital gains accrued as of this date to use up their available exemption.

- A permanent Home Buyers' Plan will replace the temporary program set up two years ago to stimulate the housing industry. First-time home buyers may withdraw up to C\$20,000 tax free from their RRSP to purchase a qualifying home.




- Proposed changes to the scientific research investment tax credit program will effectively reduce the entitlement to some types of investment tax credits previously available.


- The foreign affiliate rules have been modified to limit the deferral of Canadian tax on offshore property income through the use of foreign subsidiaries or trusts.

The Minister also announced that several areas are under review, such as the tax treatment of retirement savings, the taxation of family trusts, reforms to the GST system, and streamlining of the Customs tariff regime. The Minister considered, but rejected, some other proposed changes, including the introduction of wealth and inheritance taxes, the introduction of a minimum corporate tax, proposals for a flat tax system, and the taxation of lottery earnings. ♦

*HENRY LAM
Tax Manager
Coopers & Lybrand*

(Editor's note: In the January Legal & Policies Committee column titled, Far-reaching Changes To The Canadian Immigration Act, the column claimed that a score of zero in the language ability category automatically disqualified an applicant from selection to Canada. This is incorrect. A score of zero will not automatically disqualify an applicant from selection to Canada as an independent immigrant or as an entrepreneur.)

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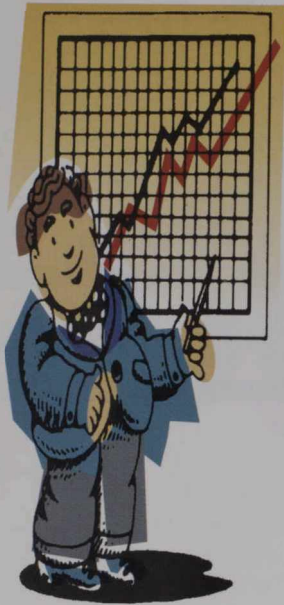
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The Challenge of the Distributed Company: Bridging the Gaps

by Paul Held



The "distributed company" is prevalent in today's world economy and a fixture of the business landscape in Asia. Distributed companies have operations that are geographically diverse and lines of communication that cross national and cultural boundaries. Hong Kong abounds with examples of companies based in North America or Europe with extensive "mission-critical" operations here, or Hong Kong-headquartered firms with major operations in North America or elsewhere in Asia. We work with companies of this nature frequently. Some of the problems we have experienced with these companies include:

CULTURAL TENSION

Obvious cultural differences manifest themselves each day in distributed companies. For example, a medium-sized Japanese manufacturing client, with extensive Hong Kong and mainland China operations, faces continuous internal challenges with respect to business styles, management approaches, and staff communication (which defaults to English, with which neither side is comfortable).

Another common cause of friction in Hong Kong, of course, occurs between expatriate and local Chinese management. Cultural differences can sometimes prevent the changes necessary to cope with new competitive pressures.



LONG LEAD TIMES AND CYCLE TIMES

Weak, cumbersome internal infrastructures and ineffective business processes create excessively long or uncompetitive order fulfillment times. A U.S.-based electronics manufacturer, with its sole manufacturing capability in Hong Kong, suffers from order lead times 50-100 per cent longer than its direct competitors. Although it competes well from a quality standpoint

today, the situation will potentially worsen when the company further distributes some of its operations to mainland China.

We have observed these types of problems in companies of all industry sectors, including banks, insurance companies, and manufacturers.

MULTIPLE POWER STRUCTURES

Power structures, other than those formally created to manage the company, grow to fill "power voids" in other parts of a distributed company. A Hong Kong-based manufacturing company with a U.S.-based direct distribution organization has watched the costs of its U.S. "child" grow disproportionately to their contribution. The Hong Kong owners have repeatedly attempted to "reel in" the subsidiary, with little success. Strong personalities can easily dominate the balance of power in distributed organizations.

The fundamental benefits of distributing companies in the first instance — proximity to markets, cost advantages, material and skill availabilities, etc. — can be defeated by problems at the root of these symptoms. In response, too many organizations take a narrow, "local" view of the problems and their potential solutions, and miss true underlying causes which relate directly to the distributed nature of the company. A broader integrated approach to improvement, which considers management objectives, business processes and technologies, human resources, and organizational structures, is required to best assess problems and develop pragmatic solutions. For example, cultural diversity can be turned into an advantage if local aptitudes and strengths are exploited by teaming local management and staff with head office "imports" at all levels. Next, lead and cycle times can be dramatically shortened by evaluating and simplifying business processes, many of which were formalized when communication and technology infrastructures were crude. Finally, a distribution of formal power can give companies the advantage of local decision-making capability and help build the confidence "distributed" business unit managers need to take on greater responsibilities.



Paul Held is a Senior Consultant with Deloitte Touche Tohmatsu Management Consultants in Hong Kong.

Canadian tax issues for individuals in Hong Kong



by Barry Macdonald

This article answers some commonly asked questions pertaining to Canadian tax compliance requirements for Hong Kong residents, including former residents of Canada, who own Canadian residential or commercial real estate.

I AM A NON-RESIDENT OF CANADA BUT I OWN RENTAL REAL ESTATE IN CANADA. AM I REQUIRED TO PAY CANADIAN TAX?

Yes. The tenant, or the Canadian property agent, is required to deduct 25 per cent from each gross rental payment and remit this withholding tax to Revenue Canada. You are jointly liable for these withholding tax payments. Without these withholding tax procedures, Revenue Canada could find it difficult to collect an income tax liability from a non-resident owner. You have the option each year to file an income tax return within two years and report the rental income on a "net" basis (gross rent minus deductible expenses). This would normally result in a refund of most or all of the withholding tax.

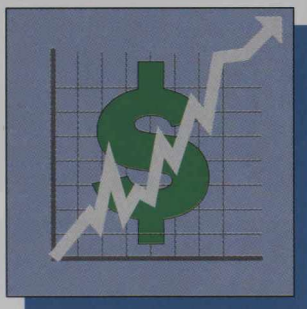
WHAT DO DEDUCTIBLE EXPENSES INCLUDE?

Mortgage interest expense (but not principal repayments), property tax, insurance, agent fees, and repairs and maintenance. Capital cost allowance (tax depreciation) could be claimed if the above expenses are not sufficient in a year to reduce income to nil; however, CCA claims are not advisable if the rental property is your former, or will subsequently become your, principal residence.

CAN I FINANCE THE PROPERTY ACQUISITION WITH A LOAN FROM A HONG KONG CREDITOR?

Yes, it is possible. The interest expense should still be deductible to you. As long as you are a non-resident of Canada, the loan is not secured by a mortgage on the property, and you are

not viewed as carrying on business in Canada, no withholding tax should be liable on the interest expense payments to the non-resident creditor.



AS I KNOW MY NET RENTAL INCOME WILL BE NIL OR NEGATIVE, CAN I OBTAIN A WAIVER FROM THE 25 PER CENT WITHHOLDING TAX?

Yes. An NR6 form can be filed with Revenue Canada before the beginning of the year (or before the first rental payment is due in the year). A Canadian resident agent must jointly sign this form (and becomes jointly liable if any tax liability does result in the year). Revenue Canada will then grant a waiver indicating that the 25 per cent withholding tax only applies on any "net" rents in the year. You must file an income tax return by 30 June of the following year.

CAN THIS NR6 WAIVER ALSO APPLY TO INTEREST INCOME FROM A CANADIAN BANK ACCOUNT MAINTAINED FOR THE PROPERTY?

No. The Canadian bank is still required to deduct and remit a non-refundable 25 per cent withholding tax on interest

income. This interest income would not be reported on your income tax return as it is already subject to the 25 per cent withholding tax.

MY PROPERTY AGENT IS RELUCTANT TO SIGN THE NR6 WAIVER. WHY AND WHAT ARE MY ALTERNATIVES?

Some professional property agencies are reluctant to sign these forms as they become jointly liable with you if an unpaid tax liability results. They may sign if you give them some type of security (such as a letter of credit). Alternatively, you might be able to entice a relative or friend in Canada to sign the form. The professional property agent can still continue to manage the property for you.

I WOULD LIKE TO SELL MY CANADIAN PROPERTY. IS MY CAPITAL GAIN TAXABLE?

Yes. A non-resident vendor should file Form T2062 before, or within 10 days of, the disposition and remit a 33 per cent withholding tax on the difference between gross proceeds and adjusted cost base. A clearance certificate is then issued by Revenue Canada. If a clearance certificate is not obtained, the purchaser is liable for a 33 per cent withholding tax on gross proceeds. You should file a Canadian income tax return by the following 30 April to report the capital gain. A partial refund of the withholding tax can usually be obtained. ♦

Barry Macdonald is a partner of Coopers & Lybrand in Hong Kong and heads up their Canadian tax department. He also specializes in Hong Kong and international tax planning. He is a Canadian Chartered Accountant from Vancouver, B.C. and a Hong Kong Certified Public Accountant. Barry is also Vice-President and Treasurer of the Canadian Chamber of Commerce in Hong Kong.



PHONE FACTS

by Mark Alessio

One of the nice things about receiving phone bills is that they verify your importance to someone other than the electric, gas, and credit card companies. However, that benefit is outweighed by the lower back strain you suffer from trying to lift the envelope out of the mailbox. "Why is this thing so heavy?" you mumble in the elevator. And the joker next to you says, "Because there's so much ink on it and because you're such a valued customer they included a gushing thank you card."

In the safety of your flat, wincing, you open the envelope, extract the bill, unfold it, see the total, gasp, hyperventilate, pull at your hair, go into denial, and then ask yourself, "Hey, who do I know in Wawa?"



How can you get some relief? For the lower back, Tylenol, stretching exercises, and bending at the knees next time; for the hyperventilating, breathe into a paper bag; for hair loss, try Rogain; and for the denial, see a therapist. For the phone bill? Well, the opportunities are limited, but you should know a few things. First, stop making operator-assisted calls. This is one of the most expensive ways to phone home. Although, after a long night out, it may be the only way to call home. Instead, start making International Direct Dialling (IDD) calls. The helpful people at Hongkong Telecom are more than willing to provide you with this service, because they benefit directly. Just call 013 to register. This alone will save you a bag of cash.

You should also be aware that there are peak and off-peak hours with different rates. Off-peak hours are from midnight to 7:00 a.m. Monday to Saturday, and from 1:00 p.m. Saturday through Sunday. During these times Hongkong Telecom offers you 14 per cent off the peak rate.

Alternatively, City Telecom International (CTI) provides a service which helps you save a bit more money. Compared to Hongkong Telecom rates for a call to Canada, CTI offers a savings of 14.9 per cent during peak hours and 12.1 per cent during off-peak hours. Those savings can be increased to 19.1 per cent (peak) and 16.4 per cent (off-peak) if you buy a City Telecom stored value coupon.

Call from any touch-tone telephone, dial an access number, type in your 10-digit secret code, and then dial the number of the person you're calling as if you were making a regular IDD call. This service is great for the secret code alone. You can also use CTI services to make calls from 29 countries in Asia, North America, Europe, and a few other places like the Dominican Republic. They say there is no application fee, monthly fee, or any extra charges.

You can use the money you save to pay your therapist. ♦

Mark Alessio is an irregular contributor to Canada Hong Kong Business, but he has recently switched to a high fibre diet.

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Food Faxback Poll

In the September/October 1993 issue of *Canada Hong Kong Business* we asked you to tell us what foods you miss from your homeland. The replies came flooding in from Canadians living in Hong Kong. We found out this group has cravings for a wide variety of things! (Retailers and distributors are you listening?)

Lena Feng has compiled the replies and tracked down where you might find some of these delicacies.

You said you missed...

Beverages:

Ocean Spray Cranberry Juice
Java Jive Coffee
Sleeman's Beer
Molson Beer
Labatts Blue

Breads & Cereals:

Bagels
Boulangese French Bread
Muffins
Spoon-size Shredded Wheat
Pizza Dough

Cheese & Yogurt:

Armstrong Cheddar
Cheese Curds
Yogurt
Frozen Yogurt

Where to look...

Although not in constant supply, Molson Ex and Labatts Blue have been seen at Dah Chong Hong and Park 'N Shop. Molson Golden is available at USA & Co, as is Ocean Spray Cranberry Juice. Java Jive was nowhere to be found but Moca Java coffee beans by Caffe Triest are available at Coo in Seibu.

For those who miss a crusty loaf of french bread, try Lenoitre Paris at Seibu where you will find a good selection including Batard, Boule and Baguette. Baguette can also be found at DeliFrance. Spoon-size Shredded Wheat is carried by USA & Co, along with freshly baked bagels at Bagelria in their Duddell Street store.

Cheese curds, a vital ingredient to poutine (that purely Canadian mix of french fries, melted cheese curds and gravy), were unfortunately nowhere to be found. A good variety of cheddar cheese can be found at Coo in Seibu and at Oliver's. Both also carry a fairly wide selection of yogurt as do the larger Park 'N Shops and Wellcome stores.

Meats:

Beef for stew & bourgignon
Tournedos
Roti de Paletta

Seafood:

B.C. Salmon

Vegetables & Fruit:

Boston Lettuce
Romaine Lettuce
Macintosh Apples
Blueberries
Ontario Peaches
Corn on the Cob

Snack Foods:

Old Dutch Salt & Vinegar
Potato Chips
Hawkins Cheezies

Fast Foods:

MMM...Muffins
Mr Submarine
Taco Bell
Tim Horton Donuts

Specialities:

Perogies
Poutine
Chopped Calamari in Olive
Oil with Garlic

For a variety of special beef cuts try Oliver's or Coo. Some special cuts can also be found at Jusco, Wellcome and Park 'N Shop.

Check the nearest Oliver's for B.C. salmon.

Fresh Boston lettuce, romaine and blueberries, when in season, are found at Coo and Oliver's. Unfortunately, fresh Macintosh apples, a favourite among respondents, and fresh Ontario peaches were nowhere to be found.

Most of the Fast Foods, Snack Foods and Specialty Foods sent in were hard to find in Hong Kong. Old Dutch Potato Chips have been spotted at Dah Chong Hong. Although MMM...Muffins is not in Hong Kong, a number of hotel bakeries supply fresh muffins, as does the Galley in Jardine House, Mrs Field's, Lucullus and La Rose Noire at Pacific Place.

Naturally, this summary is not a comprehensive list of locations for the foods mentioned, and as we know, the market supply is always changing. For those still searching for your favourite foods from "back home", please note that USA & Co has a request book system where you can fill in your request, and if possible, they'll order it for you. In any case, they'll let you know whether or not they can get it.

Thank you to all those who participated in the poll and for sharing your views with us.

William Wai Hoi Doo

a global businessman

by Harold Mandel



"CHINA HOLDS TREMENDOUS OPPORTUNITY FOR THOSE CANADIANS WITH A LONG TERM VIEW OF DOING BUSINESS AND A WILLINGNESS TO COME TO ASIA REGULARLY TO ESTABLISH AND CEMENT BUSINESS RELATIONSHIPS." THAT IS THE VIEW OF ONE OF HONG KONG'S LEADING BUSINESS PERSONALITIES, MR. WILLIAM DOO.

Mr. Doo is a prime example of the human bond linking Canada and Hong Kong. As a young boy, William came to Hong Kong with his family from Shanghai in 1949. He graduated from the University of Toronto in 1968 with a Bachelor's Degree in Science and went on to successfully complete his Master's Degree in Science at the University of California, Santa Barbara the following year. While in California, Mr. Doo also obtained the Diploma of Graduate Gemologist in 1970 from the Gemological Institute of America. After a six-month internship in the diamond business in Antwerp, Belgium, Mr. Doo

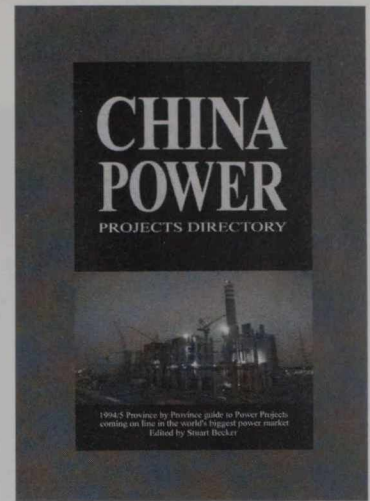
returned to Hong Kong to join his family's diamond import/export business - Fung Seng Diamond Company Limited.

IN THE LATE '70S AND EARLY '80S, William diversified the family operation to include businesses ranging from retail ice cream shops and property development to restaurants, security services, and hotels. Currently, more than 20 businesses are controlled by Mr. Doo, who acts as Managing Director of Fung Seng Diamond Co. Ltd. and Vice Chairman of New World Hotels International, which operates more than 15 hotels in Asia. He also serves as a consultant to the Hong Kong Jewellers' & Goldsmiths' Association. Even with his busy schedule, Mr. Doo has served on the Board of Governors of the Canadian Chamber of Commerce in 1991 and 1992 and as director of the Po Leung Kuk Charitable Foundation.

MR. DOO MAKES frequent trips to Toronto to tend to his several business there, as well as trips to China where he has growing business interests. He has met with several of the top leadership in Beijing and notes that, contrary to the popular misconception in the West, they are very well informed on business matters in Asia and the rest of the world. "I think China will be the star in the global business arena for the next 20 years," said Mr. Doo. He offers the following advice, "To do business successfully in China you must have confidence in China's development and think long term. If not, you should stay home." Potential areas in which Mr. Doo thinks Canadians have an advantage are technology, direct marketing, and manufacturing. ♦

Harold Mandel is General Manager of Pacific Rim Ventures Limited.

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The Board of Governors and guest speaker are piped into the Hilton ballroom.

ANNUAL BOARD OF GOVERNORS' DINNER

On February 24, over 180 Chamber members attended the annual Board of Governors' dinner, where George J. Kosich, President and Chief Executive Officer of the Hudson's Bay Company gave the keynote address.

Mr. Kosich joined the company in 1960 as a trainee in Vancouver and rose through the company ranks as Store Manager and General Manager. He joined Simpsons Limited as Vice-President of Store Operations and, eventually, became President. In 1985, he was appointed Executive Vice-President and Director of the Hudson's Bay Company, President and Chief Operating Officer in 1987, and Chief Executive Officer in 1990.

His speech, entitled "Hudson's Bay Company - Past, Present, and Future: The Trend Toward Globalization", highlighted the importance of the retail sec-

tor in Canada and traced the Hudson's Bay Company's 324-year history, focusing on 1978 to the present.

In 1978 and 1979, Hudson's Bay Company went on a spending spree, purchasing Zellers, Simpsons, the outstanding balance shares in Markborough, a travel business, and numerous other small enterprises, only to sell off all non-core businesses when interest rates rose and the 1982 recession hit. By 1988 the company became profitable again, and in 1990 became a retail-only enterprise.

As a large company in a mature retail industry, based in a country with slow population and economic growth, the Hudson's Bay Company is ready to embrace new markets. Asia, the fastest-growing economic region in the world, has been visited by Mr. Kosich four times in the last year and, in his words, "is the single largest untapped retail distribution opportunity in the world."

While Mr. Kosich was not prepared to make a formal announcement with respect to the company's entry into China, he did say to expect an announcement by the end of 1994. He ended his address by expressing the hope that some of the dinner attendees might be well positioned to help him in his company's Asian mission.

For copies of Mr. Kosich's speech, please call the Chamber at 526-3207.



George Kosich, President and CEO of the Hudson's Bay Company, talks about the company's interest in the China market.

CHAMBER TOASTS NEW OFFICE

For many years the Chamber did business in office space generously provided by the Commission for Canada, but we now have a new home. Kindly procured by Chamber member William Doo, Director of New World Hotels (Holdings) Ltd., we were proud to show off our new real estate during the Chamber's official office opening on February 22. Many members joined us to toast our new premises and for the ribbon cutting ceremony, presided over by William Doo, John Higginbotham, Commissioner for Canada, and Chamber President, Eliza Chan.



Chamber President, Eliza Chan, New World Hotel's, William Doo, and Commissioner for Canada, John Higginbotham inaugurate the Chamber's new office.

VANCOUVER STOCK EXCHANGE MAKING INROADS TO ASIA

Mr. Donald Hudson, President and Chief Executive Officer of the Vancouver Stock Exchange, updated attendees on the Exchange's business initiatives in Asia during a Chamber luncheon on March 7. Mr. Hudson, who has been with the Exchange since 1982, said current initiatives began just short

of two years ago when the Exchange was asked if it was interested in listing "B" shares of companies listed on the Shenzhen Stock Exchange. Now, two years later, Mr. Hudson has announced a separate "Asian Board" which will provide a marketplace for the shares of Asian companies wanting to raise money in North American capital markets. The Asian Board not only has separate and more stringent listing regulations, but has its quotations published separately. While most applicants are from Hong Kong, the VSE is also fielding inquiries from Taiwan, China, Manila, and Singapore.



Donald Hudson announces new Asian Board for the VSE.

BUDGET HIGHLIGHTS FROM SIR HAMISH MACLEOD

The Chamber was honoured to welcome Financial Secretary, Sir Hamish Macleod, to a luncheon on March 10, his first public appearance since his budget speech of March 2. Addressing more than 80 Chamber members and guests, including Canada's former Finance Minister, Michael Wilson, Sir Hamish began his address by acknowledging that his "good news" budget was quite non-controversial, unless you happen to be a lover of fine wines. While controlling expenditures is key to Hong Kong's prosperity, spending on public assistance has risen relative to the Territory's success. Sir Hamish said no new taxes are imminent and that "innovation" with respect to taxation is not necessarily a good thing.

The only fault with the budget, said Sir Hamish, is the increase in rates,

which rose only as much as inflation. As for the land supply shortage, he is reluctant to intervene and encourages innovative ways to increase the available supply.



Financial Secretary, Sir Hamish Macleod, speaks at a Chamber luncheon days after announcing lower corporate and income taxes.

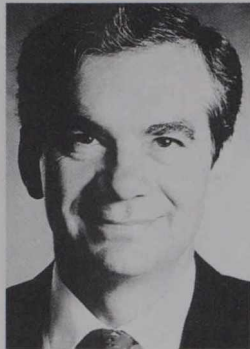
CONSUMERS DISTRIBUTING CEO SENDS QUALITY MESSAGE TO ASIAN MANUFACTURERS

At a joint Canadian Chamber of Commerce and Hong Kong Trade Development Council luncheon, William Young, CEO of Canadian catalogue retailer Consumers Distributing, told Asian manufacturers quite candidly that they needed to improve quality standards to meet the demands of North American consumers. Consumers Distributing has cut imports to eight per cent from 12 per cent due to a high product return rate of 35 per cent on goods sourced in Asia. Mr. Young said his company foresees doubling or tripling its current orders totalling C\$50 million (HK\$283 million) for products manufactured in the region if high quality can be assured. He also suggested that Asian manufacturers look at financing terms which currently require letters of credit rather than 90 days to pay. ♦

(Editor's note: Please note a correction with respect to upgrading membership to the Entrepreneur category. To qualify, companies must be based in Hong Kong. Canadian-based companies do not qualify for this upgrade.)



Manulife names new CEO
• and expands in China and Asia •



Dominic D'Alessandro
President & Chief Executive Officer
Manulife Financial

The Board of Directors of The Manulife Life Insurance Company elected Dominic D'Alessandro to the Board of Directors. He assumed the position of President and Chief Executive Officer on March 1.

D'Alessandro, 46, of Montreal, is the former President, Chief Executive Officer, and Director of Laurentian Bank and former Executive Vice-President, Finance, of the Royal Bank of

Canada. He became the 11th President of Manulife, Canada's largest life insurance company.

Manulife also announced an ambitious expansion programme in Hong Kong, China, and the rest of the Asia region. The company has divided Asia into two distinct operations - Greater China and Pacific Rim. Senior Vice-President and General Manager, International Operations, Diane Schwartz said, "Our largest and most successful Asian operation is here in Hong Kong. It is a major contributor to Manulife's worldwide sales statistics and, even more important in today's world, Hong Kong is a major contributor to the company's bottom line."

Former Chamber Vice-President and current Manulife chief, Vic Apps, is now responsible for the New Greater China Division which includes Hong Kong, Taiwan, Macau, and the PRC.

• CIBC's Tulloch promoted •



Peter P Tulloch
Senior Vice-President
Asia-Pacific Region
Canadian Imperial Bank of
Commerce (CIBC)

Congratulations to Chamber Vice President Peter Tulloch, who has been appointed Senior Vice President Asia-Pacific Region for the Canadian Imperial Bank of Commerce. In his new role Mr. Tulloch will have overall responsibility for the bank's activities in Hong Kong, China, and Taiwan. He also serves as a Director of CIBC Asia Ltd, Singapore, a wholly-owned merchant banking subsidiary of CIBC and is a Director of CEF Holdings Ltd, a joint venture merchant bank owned by CIBC and Cheung Kong Holdings Ltd.

Mr. Tulloch joined CIBC in 1985 as General Manager, Corporate Banking South East Asia - CIBC Singapore, a position he held until late 1989 when he returned to Hong Kong as Vice President, Asia responsible for corporate banking. He has worked in Asia for most of the past 25 years with previous positions in two other international banks in India, Malaysia, and the Philippines apart from two years in Canada.

Teleglobe welcomes
• new Asia Pacific director •

Teleglobe Canada recently announced the appointment of Jennifer Hill to the position of Director of Telecom Relations, Asia Pacific. Ms. Hill has worked in the telecommunications industry since 1978, in the U.S. and Asia. Prior to joining Teleglobe Canada, Ms. Hill also managed her own Hong Kong-based consulting business, providing regulatory and market entry advice to the general market. In her role at Teleglobe Canada, Ms. Hill will be responsible for carrier and government relations, business development, and market intelligence. Hong Kong is Teleglobe Canada's second largest market worldwide, and its principal business relationship in the territory is with Hong Kong Telecom. ♦



CANADIAN OVERSEAS
SECONDARY SCHOOL (C.O.S.S.)

166-166A Boundary Street
Kowloon, Hong Kong
Tel: 336 1116 Fax: 336 4782

- Students who attend C.O.S.S. study from a Canadian curriculum with Canadian textbooks
- The teachers use Canadian teaching strategies
- Students have an opportunity to study Ontario Academic Courses (OAC) which prepares them to enrol at a university
- Students can choose from:
 - 14 OAC courses
 - 10 grade 12 courses
 - 15 grade 11 courses
- On the successful completion of their courses, students are granted Ontario high school credits
- After earning sufficient credits, students are awarded an Ontario Secondary School Diploma (OSSD)
- On graduation students are assisted by guidance counsellors to gain entrance to a university

Applications are invited for admission to C.O.S.S. in each of the two semesters, September 1994 and January 1995.



New Members

Individual Members

Annamunthodo, Terrence
 Au, Rita
 Barber, Douglas
 Campbell, Laura
 Cartner, Stephen
 Chao, Raymond
 Cheh, John
 Cheong, Ching Man
 Hellevang, Wanda K.
 Heselwood, Jeff
 Lee, Wai Kuen
 Ong, Ruby T.
 Tso, George
 Wan, Simon

Corporate Additional

Beveridge, Keith
 Human Resources Vice-President,
 Pacific Asia
 Manulife Financial

Brindle, Karen
 Project Consultant
 Manulife Financial

Lam, Henry
 Tax Manager
 Coopers & Lybrand

Ngai, James
 Assistant Manager
 Coopers & Lybrand

Sham, Danny Y.W.
 Commercial Officer
 Government of Quebec

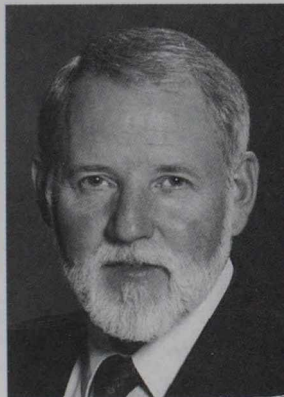
Entrepreneur

Evis, Robert
 Managing Kitchen Foods (Asia) Ltd.
 Unit 10, 7th Floor,
 Hing Wai Centre,
 7 Tin Wan Praya Road,
 Aberdeen, Hong Kong
 Tel: 507-5963
 Fax: 507-5964

Lai, Helen
 Manager
 Graphics Circle
 2A Trust Tower, 68 Johnston Rd.,
 Wanchai, Hong Kong
 Tel: 529-8891
 Fax: 529-9360

Corporate

Weeks, Colin



Director, Business Development
 BC Systems International (Asia)
 901, Hutchison House,
 10 Harcourt Road,
 Central, Hong Kong
 Tel: 845-1155
 Fax: 845-4114

BC Systems International (Asia) is a wholly-owned subsidiary of BC Systems, a Canadian provincial crown corporation providing information technology services since 1977. Services include data processing, professional services, data and voice communications, and information access services to over 70,000 users. BC Systems International (Asia) has been established to support the goal to have British Columbia crown corporations become generators of wealth and economic development for the province. The Hong Kong office can draw from a pool of some 1,200 practising professionals skilled in management and information technology consulting, and the design, devel-

opment, implementation, and support of large complex business and government computer system applications, data centres, and networks.

Wong, Hung



Managing Director
 Technica Electronics Ltd
 9F, Zung Fu Industrial Bldg.,
 1067 King's Road,
 Quarry Bay,
 Hong Kong
 Tel: 561-4111
 Fax: 565-8439

Technica Electronics Ltd was established in 1971 and is a leading manufacturer and provider of telecommunications products such as telephones, telephone answering machines, cordless telephones, and cordless hand microphones. Located in Hong Kong, the company maintains a production plant in Shenzhen, China, and exports product to the United States, Europe, China, the Middle East, and Far East countries.

Norris, Rob G.
 Vice-President and Managing Director
 Hudson's Bay Company
 10/F, Tower 2,
 South Seas Centre,
 75 Mody Road,
 Kowloon, Hong Kong
 Tel: 734-0888
 Fax: 723-0654

The following are the Chamber CORPORATE MEMBERS listed in convenient industry categories. If you are looking for a particular product or service, look here first. Support your fellow members.

Accounting/Auditors

Arthur Andersen & Co
C. C. Ho & Company
Coopers & Lybrand
Deloitte Touche Tohmatsu
Ernst & Young
Kenny Tam & Co
McCabe Lo & Company
KPMG Peat Marwick, CPA
Price Waterhouse

Advertising/Public Relations/Marketing

PRISM
Graphics Circle

Architecture/Engineering/Urban Planning

Blewett Dodd Ching Lee Ltd
Four Gay Engineering Co Ltd
M. Moser Associates Ltd
Meco Engineering Ltd
S.Y. Engineering Company Ltd
Wang Tak Engineering & Shipbuilding Co
Zeidler Partnership Inter. Ltd.

Banking/Investment/Financial Services

Allied Capital Resources Ltd
Bank of Montreal
Bill Lam & Associates Ltd
Burns Fry Pacific Ltd
Canadian Eastern Finance Ltd
Canadian Imperial Bank of Commerce
CEF New Asia Partners Limited
Deloitte Touche Tohmatsu
National Bank of Canada
Pacific Rim Ventures Ltd
Pictet (Asia) Ltd
RBC Dominion Securities (Asia) Ltd
Royal Bank of Canada
Royal Trust Asia Ltd
Royal Canadian Mint
Scotia Mcleod (Hong Kong) Inc
The Standard Chartered Bank
The Bank of Nova Scotia
The Bank of East Asia, Ltd
The Hongkong & Shanghai Bank Corp Ltd
The Toronto Dominion Bank
Vancouver Stock Exchange
AmeriTax Plux Ltd

Chemicals

Diversey Hong Kong Ltd

Computer/Infotech

ABC Data & Telecom Ltd
Quantum Designs (HK) Ltd
B.C. Systems (Asia) Ltd

Electronics

Chubb Hong Kong Limited
Chung Mei Industries Limited
The Refined Industry Co Ltd
Great Wall Electronic International Ltd.

Distributors/Retailers

Duty Free Shoppers Hong Kong Ltd
Hudson's Bay Company

Foodstuffs/Beverages

Dah Chong Hong Ltd
Canada Packers (HK) Ltd
Managing Kitchen Foods (Asia) Ltd

Freight Forwarders/Movers

Aero Transportation Ltd

Asian Express Packing Co Ltd
Columbia International Removals Ltd
Global International Forwarding Ltd
Pan-Pacific Services Ltd
Panalpina (HK-China) Ltd
Santa Fe Transport International Ltd
Sun Hing Shipping Co Ltd
World Wide Overseas Moving Service Inc
LEP International (Far East) Ltd

Garments/Textiles

Addison Limited
Cliffside Limited
Colour Best Dyeing Pty Ltd
Hay Nien Company Ltd

Government Organizations

Commission for Canada
Government of Alberta
Government of British Columbia
Government of Quebec
Hong Kong Government - Industry Department
New Brunswick Department of Economics & Tourism

Hotels/Catering/Travel Services

Cafe de Coral Holdings Ltd
HongKong Hilton Hotel
Island Shangri-La Hotel
New World Harbour View
Regal Hotels International Holdings Ltd
The Conrad Hong Kong

Immigration Consultancy

Alan Lam & Norris Yang
Globex International Group Ltd
R.M.G. Immigration Consultants (HK) Ltd

Insurance

CIS Insurance Brokers Ltd
Jardine Insurance Brokers Ltd
Laurentian Asia Ltd
Lombard General Insurance Ltd
Manulife Financial
New World Indosuez Insurance Service Ltd
Sunlife Assurance Company of Canada

Jewellery/Watches

Swissam Ltd

Legal Services

Alan Lam & Norris Yang
Baker & McKenzie
Clifford Chance
Deacons
Goodman Freeman Phillips & Vineberg
Jewkes & Partners
Johnson Stokes & Master
McMillan Bull Casgrain
Osler Renault Ladner
Smith, Lyons, Torrance, Stevenson & Mayer
Stikeman, Elliott
Tory Ducharme Lawson Lundell
Weir & Associates Solicitor

Machinery/Parts

Lamko Tool & Mold Consulting (HK) Co Ltd
Watfield Technology Limited

Management & Business Consultancy

Arthur Andersen & Co
Commence Company Ltd
Deloitte Touche Tohmatsu
Kenny Tam & Co
KPMG Peat Marwick, CPA
Learning System International (HK) Ltd
Pacific Rim Ventures Ltd
Kieran International Academy Ltd
B.C. Systems (Asia) Ltd

Manufacturing

City Toys (Canada) Ltd

DHJ Industries (Far East) Ltd
Elcombe Asia Ltd
Fairform Manufacturing Co Ltd
Kentfull Furniture Manufacturing Ltd
Northern Telecom (Asia) Ltd
Summer Metal Products Manufacturing Co Ltd
Swank International Manufacturing Co
The Refined Industry Co Ltd
Tingtai Wahchong Metal Mfy Ltd
Technica Electronics Ltd

Marine Transport & Services

Fairmont Shipping (HK) Ltd
Jardine Shipping Agencies (HK) Ltd
Teh Hu Enterprises Ltd

Metals/Minerals Products & Equipment

Alcan Asia Limited
Inco Pacific Ltd
Shiu Wing Steel Ltd
Watfield Technology Limited

Education

S.E.A. Canadian Overseas Secondary School

Office Equipment & Services

Central Executive Business Centre

Personnel Search & Training

Affirm Master Ltd
Anthony Au & Associates Ltd
Brace Services
Pacrim Recruiters (HK) Ltd

Printing/Publishing/Paper

BusinessWeek International
Graphics Circle
GTE Directories (HK) Ltd
Hong Kong Prime Printing Co Ltd
The Asian Sources Media Group

Real Estate/Property Development

Clifford Investment Co Ltd
Henderson Land Development Co Ltd
Park Georgia Realty (HK) Ltd

Telecommunications

BT (Hong Kong) Ltd
Canac International Inc
Hong Kong Telecommunications Ltd
Hutchison AT&T Network Services Ltd
Hutchison Telecommunications Ltd
Northern Telecom (Asia) Ltd
Technica Electronics Ltd
Valiant Enterprises Ltd

Trading Companies

Alcan Asia Ltd
Amsua Trading Co Ltd
Arnhold & Co Ltd
Canada Packers (HK) Ltd
China Merchants Developments Co Ltd
City Toys (Canada) Ltd.
Dah Chong Hong Ltd
Global International Forwarding Ltd
Hay Nien Company Ltd
Hutchison Whampoa Ltd
Kin Chung (S.L.) Co Ltd
Lamko Tool & Mold Consulting (HK) Co Ltd
MacMillan Bloedel (Asia) Ltd
Panalpina (HK-China) Ltd
Sun Ming Hong
Swissam Ltd
Tingtai Wahchong Metal Mfy Ltd

Transportation

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Canadian Pacific Railway
Canadian Airlines International Ltd
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Canada 

CIBC



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- CAPITAL MARKETS
- ADVISORY SERVICES
- SYNDICATION

EXPORT & TRADE FINANCE

Toronto
Neil Rennie
Tel: (416) 861-3478
Fax: (416) 363-4782

New York
Michal Hendrych
Tel: (212) 856-3741
Fax: (212) 856-3750

Hong Kong
PH Mak
Tel: (852) 841-6238
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