

**Lunar New Year Reception
in Prague
1 March 2012
Welcome Remarks by Ivan K B Lee
Director,
Hong Kong Economic and Trade Affairs,
The Government of the Hong Kong Special Administrative Region**

Vice President Juříček, Ambassador Yu (于庆泰), Mary, Lore, Distinguished Guests,

1. Let me welcome you tonight to celebrate the Chinese New Year of the Dragon here in the charming city of Prague.

2. I am particularly honored to have with us tonight Vice President Juříček of the Confederation of Industry, Ambassador Yu from the Chinese Embassy, our Special Representative to the EU, Miss Mary Chow, as well as senior officials and members of the business community.

3. Distinguished guests, let me first provide an update of the latest situation in Hong Kong. I am pleased to report that Hong Kong did reasonably well in 2011. Amid the global economic slowdown, we achieved a GDP growth of 5% for the year. The unemployment rate stayed low at 3.3 %. We forecast a consolidated surplus of EUR 6.6 billion for the current financial year, equivalent to 3.5 % of our GDP.

4. As an external-oriented economy, Hong Kong did not entirely escape the recent global economic crisis. At the same time, much of our ability to weather such crises is attributed to our adherence to free market principles and business friendly environment. Indeed, Hong Kong has continued to be ranked among the top in various surveys and studies by international organizations. Apart from being ranked the world's freest economy for the 18th consecutive year by the Washington-based Heritage Foundation, Hong Kong was ranked the world's most competitive economy by the International Institute for Management Development (IMD) in 2011. Hong Kong is also the second

easiest place to do business in the world, according to the World Bank's Doing Business 2012 Report.

5. Having said that, being a small open economy in this highly integrated world, Hong Kong would naturally be affected by a global slowdown. However, the unique position of Hong Kong to the Chinese Mainland helps to cushion the effect.

6. Here I would like to add three points on why Hong Kong continues to be a good destination for Czech companies. First, Hong Kong's development into an offshore RMB business centre. Second, the very attractive listing regime offered by the Hong Kong Exchanges and Clearing Limited to Czech companies wishing to raise capital and enhance their profile in the Asian market. And third, that Czech companies can also benefit from Hong Kong's free trade agreement with Mainland China and the newly signed avoidance of double taxation agreement between Hong Kong and the Czech Republic.

7. First, Hong Kong's development into an offshore RMB Centre. As China's global financial centre, Hong Kong has been a testing ground for the internationalization of RMB. As RMB has become more widely used outside the mainland of China, Hong Kong continues to build upon its RMB offshore centre role as the place for the use of RMB as a settlement, investment and funding currency. Hong Kong is currently handling over 90% of China's global RMB trade. As at end of October 2011, there had been 100 RMB bond issues, with a total issuance size exceeding RMB 166 billion.

8. Second, Hong Kong's Stock Exchange. Hong Kong was the most active market for initial public offering ("IPO") globally in the past three years in a row in terms of funds raised. Companies, particularly overseas companies which have Greater China related business operations, have been attracted on the back of our market's liquidity, attractive valuations and access to investors in Asia. We are keen to have overseas companies to consider listing in Hong Kong. In 2010, we had the first Russian company (UC Rusal) (January), the first French company (L'Occitane) (May) and the first Brazilian company (Vale) (December) to come to list in Hong Kong. In 2011, we had

the first Swiss company (Glencore International) (world's largest commodities trading company) and the first Kazakhstani company (Kazakhmys PLC) (Kazakhstan's largest copper producer) came to list in Hong Kong. Listed companies in Hong Kong could also raise RMB funds through Hong Kong IPOs, to meet their business needs in the Mainland.

9. Third, a quick word on the Closer Economic Partnership Agreement (CEPA), our free-trade pact that facilitates business between Mainland China and Hong Kong. The beauty of CEPA is that foreign companies are able to enjoy the preferential treatment so long as they are incorporated as a Hong Kong company or partner with one, after satisfying some basic requirements. I am also pleased to report that in June last year, Hong Kong signed a bilateral agreement with the Czech Republic for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income. As the agreement sets out clearly the allocation of taxing rights between the two jurisdictions and the relief on tax rates on different types of passive income, it will help investors better assess their potential tax liabilities from cross-border economic activities. The agreement will boost closer economic and trade ties between the two places, and provide added incentives for companies in the Czech Republic to do business or invest in Hong Kong, and vice versa.

10. Ladies and Gentlemen, it will be remiss for me not to mention the ongoing efforts of Hong Kong to further develop our cultural and creative industries, which have been identified as one of the six industries where Hong Kong enjoys clear advantages. With the development of a brand new cultural district on 40 hectares of prime waterfront land overlooking the Victoria Harbour, I am confident that the West Kowloon Cultural District presents a unique opportunity for locals and tourists to benefit from world-class facilities, prime programming and distinguished talent from all over the world. Knowing that the Czech Republic is renowned for its long history and culture, I am sure that there would be ample opportunities for cultural exchanges. I am also pleased to report that Hong Kong government has designated 2012 as Hong Kong Design Year which comprises a wide array of signature events, promotional and celebratory activities to propel the development of Hong Kong as Asia's design hub and

creative capital. Noting that design is the driving force behind all innovation, I see much scope for further co-operation between Hong Kong and the Czech Republic on this front in future.

11. Apart from the economic front, politically, 2011 saw the implementation of the 2010 Constitutional Reform Package endorsed by the Legislative Council to enhance democratic elements in the 2012 elections. Under the framework of “One Country, Two Systems” guaranteed under the Basic Law, the constitutional document for HKSAR, in which universal suffrage is stipulated as the ultimate aim of democratization of Hong Kong, the Standing Committee of the National People’s Congress of the People’s Republic of China approved in 2007 a timeline in that by 2017, the Chief Executive and by 2020, the Legislative Council will be elected by universal suffrage.

12. Looking forward, 2012 will be a challenging, yet exciting year for Hong Kong. On the economic front, the global economic slowdown will no doubt affect Hong Kong. But with the developments mentioned above, we are confident that we will continue to see growth, albeit with a lower rate (latest forecast 1% to 3%).

13. Politically, this year we will have two important elections: the Chief Executive election in March and the Legislative Council election in September.

14. Turning to another reason for celebration, I would like to celebrate the ever closer bilateral relationship between the Czech Republic and Hong Kong. In 2011, bilateral trade between Hong Kong and the Czech Republic amounted to about EUR 800 million. In the last five years, on average the trade between the Czech Republic and Hong Kong grew at 7.3 % on an annual basis. Hong Kong also played a significant role in the trade between China and the Czech Republic, with about 6.2 % of the trade routed through Hong Kong.

15. Before I conclude, a few words on the dragon. Dragon is a mythical creature

which brings with it optimism and hope for better times ahead in 2012. May the innovation and high energy of the Dragon stimulate us all, as we embrace the challenges facing us in the coming year! Thank you, Ladies and Gentlemen, and I wish you all a very prosperous Year of the Dragon!

Ends.