

1. The business environment

General information

Geography

Hong Kong has an area of 1103 km², spread over the actual island of Hong Kong, the peninsula of Kowloon, and the New Territories, which includes some 262 outlying islands. It is situated just south of the Tropic of Cancer off the South China coast in the Pearl River estuary. It is bounded on the north by the Chinese province of Guangdong and on the south by the South China Sea.

History

The first Chinese settlers are known to have come to Hong Kong in approximately 1300CE. Following the First Opium War (1840-1842) between China and the United Kingdom, which broke out after the Chinese imperial government in Beijing banned the profitable opium trade being carried out by the British, the island of Hong Kong and the Kowloon Peninsula were formally ceded to Britain 'in perpetuity' by the Treaty of Nanking on 29 August 1842.

By the Convention of Beijing of 9 June 1898, Britain acquired from China a 99-year lease on the New Territories (the land between Boundary Street in Kowloon and the Chinese border), along with their 236 islands, for a sum of HKD 5000.

On 19 December 1984, a Joint Declaration was signed by the governments of the People's Republic of China and the United Kingdom. Under the Declaration, based upon the concept of 'one country-two systems', the overall basic legal framework and free-market economy then in existence in Hong Kong would be preserved for a transitional period of 50 years from 1 July 1997, when sovereignty over the entire territory would revert to China.

On 1 July 1997, China duly resumed sovereignty over Hong Kong. The Government of the Hong Kong Special Administrative Region ('SAR') was set up and vested with executive, legislative and independent judicial power. The SAR has its own currency and laws but with China responsible for security and defence.

China itself is at present undergoing a major modernisation of its economy and society. Five special economic zones have been set up along its southern coast, one of which forms the northern border of Hong Kong. There are also various coastal cities, economic and technological development zones, export processing zones and free trade zones opened up to accept foreign investment, and modern commercial law is being introduced. Most collectively-owned firms and small state-owned enterprises are being gradually transformed to joint-stock cooperative firms, which are sold in their entirety to managers and workers, while larger, non-strategic state-owned firms may be allowed to bring in outside investors via share issues at home and abroad such as the A & B shares listed on the Shanghai and Shenzhen Stock Exchanges and the H shares on the Hong Kong Stock Exchange. Hong Kong is China's major link with the rest of the world; an invaluable channel for the foreign-exchange earnings of China and foreign investment into China.

Government and political powers

The head of the SAR government is the Chief Executive, Mr Donald Tsang. The first Chief Executive was elected by a 400-strong Selection Committee whose members were elected by the Preparatory Committee of the Hong Kong SAR from a total of 5791 applicants. There is a Legislative Council ('LegCo'), which includes the Chief Executive. Laws are enacted by the Chief Executive with the advice and consent of the Legislative Council.

The Chief Executive also presides over an Executive Council (known as 'ExCo'). Both LegCo and ExCo have a mixture of elected, appointed and *ex officio* members.

The Government's principal rôle in the economy is to provide a stable framework in which commerce and industry can function efficiently and effectively with minimum interference.

Population and language

By the end of 2005, the population was approximately 6.9 million. The population density of Hong Kong is one of the highest in the world with an average of 6300 people per km² in the metropolitan areas of Hong Kong Island, Kowloon and certain parts of the New Territories.

Chinese and English are the two official languages. English is widely used in the Government, the legal system and by the professional and business sectors. There is no shortage of well-educated competent bilingual or even trilingual professionals who speak English, Cantonese and Putonghua (Mandarin). These are vital staff for any enterprise trading in Hong Kong or doing business with the Mainland and Taiwan.

Currency

The unit of currency is the Hong Kong dollar (international abbreviation: HKD), which is divided into 100 cents. At the time of going to press (end March 2007), the Hong Kong dollar was quoted against the euro at HKD 10.3899 = EUR 1, and against the US dollar at HKD 7.8111 = USD 1.

Time, weights and measures

Hong Kong is eight hours ahead of Greenwich Mean Time ('GMT'). Hong Kong currently uses both imperial and metric systems, although the metric system is being increasingly used for both business and domestic purposes.