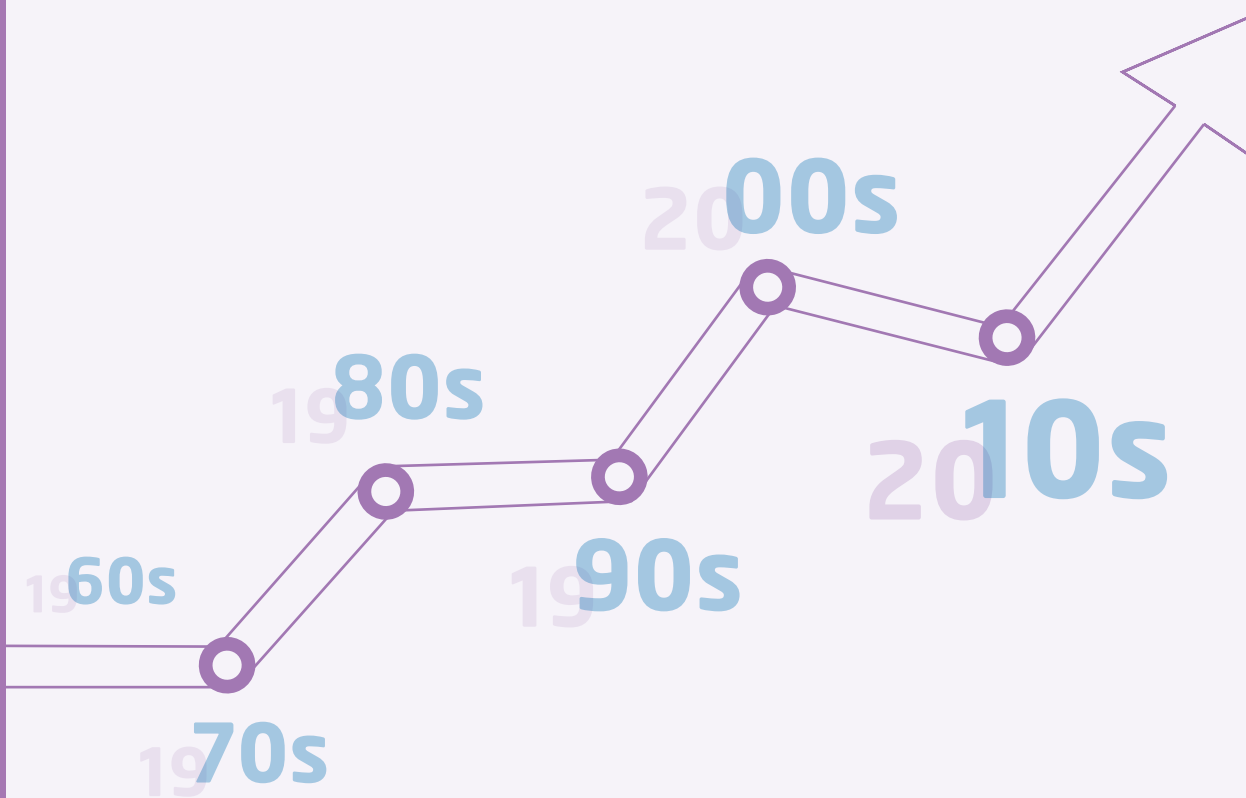


IV. Analysis of statistics of companies incorporated

1. Correlation between the number of companies incorporated and GDP

Statistics relating to the number of companies newly incorporated and Gross Domestic Product (GDP) in Hong Kong since 1961 were collected. As shown in **Charts I and II**, the number of companies in Hong Kong has been growing in line with Hong Kong's economic development. From the 1960s, the number of companies newly incorporated in Hong Kong entered into a high-growth period. It is quite obvious that the increase in the number of companies incorporated in Hong Kong is coupled with the economic take-off after the 1960s. The charts show that the number of companies newly incorporated in Hong Kong is almost synchronised with fluctuations in the GDP: from the 1960s to 1997, the number of

companies incorporated experienced continuous growth; however, after the 1997 Asian financial crisis, the economy in Hong Kong stumbled, during which the number of companies incorporated also declined slightly. With the gradual recovery of the economy, the number of companies incorporated in Hong Kong increased again. After entering the new century, the annual number of companies incorporated in Hong Kong has increased steadily. In particular, in the financial years since 2007-08, more than 100,000 companies have been incorporated in Hong Kong annually. Overall, it is observed that the number of companies incorporated in Hong Kong changes along with the economic development.



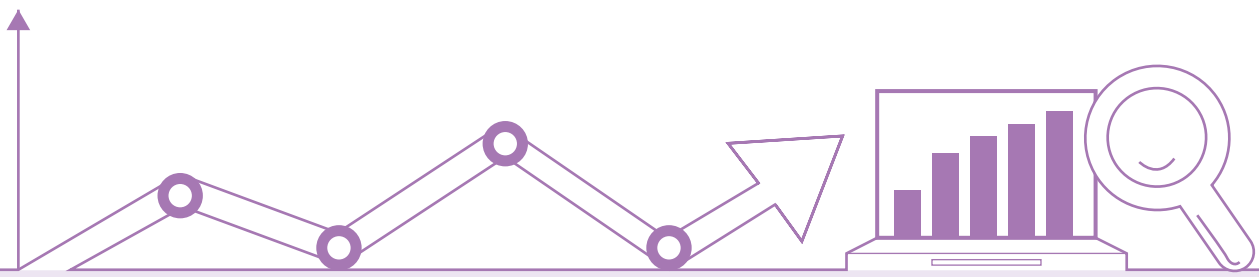
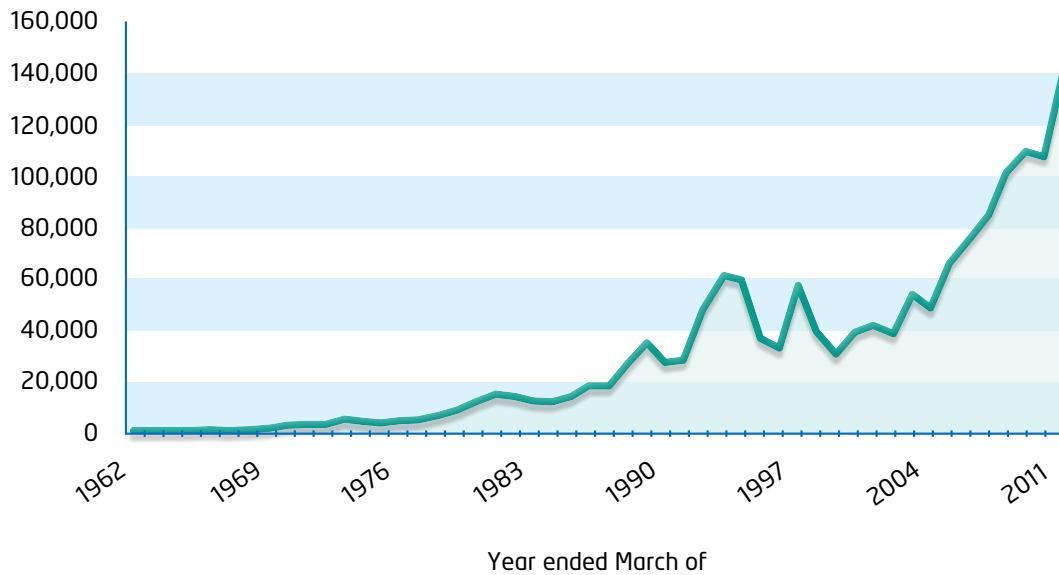


Chart I

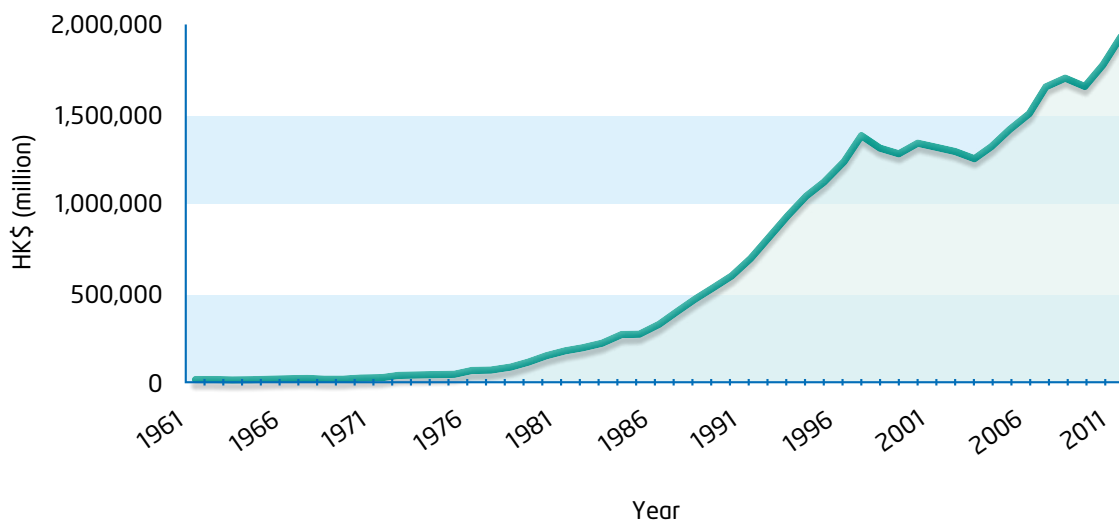
Number of Companies Newly Incorporated in Hong Kong



Note: Figures were obtained from Annual Reports of the Companies Registry.

Chart II

GDP of Hong Kong at Current Market Prices



Note: Figures were obtained from the website of the Census and Statistics Department.

IV. Analysis of statistics of companies incorporated

2. Statistics of company incorporations (1865-2012)

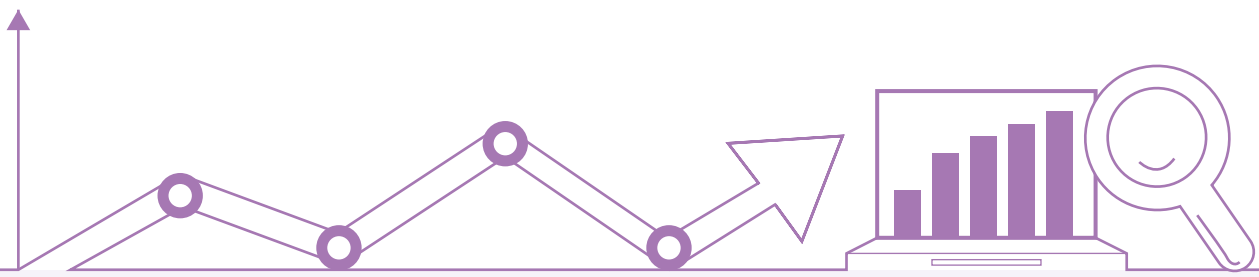
In addition to **Chart I**, a panoramic picture of the statistics of company incorporations is shown in **Annex I**: Number of companies incorporated in Hong Kong (1865-2012). These statistics were retrieved from the Companies Registry and the annual reports of the Registrar General's Department and the Companies Registry. We searched for records of companies incorporated from 1865, when the first Companies Ordinance was adopted in Hong Kong, to 1946, a year after World War II. From 1946 to 1992, the statistics are taken from the annual reports of the Registrar General's Department, and from 1993 to 2012, the annual reports of the Companies Registry. By combining the statistics for these three periods, we created the table in **Annex I**. In this table, the annual net increase of number of companies on the register, the total number of companies on the register, and the number of newly incorporated companies each year are listed. The full statistics in this table provide an opportunity to examine the trends in company incorporation in Hong Kong.

From 1865 to around the 1910s, company incorporation was not very popular in Hong Kong, with only a single-digit number increase each year. The financial year ending March 1911 was the first time that 11 new companies were incorporated in Hong Kong, opening up a new period of company incorporation in the history of Hong Kong. During the following three decades, the number of newly incorporated companies continued to grow in double digits. By the year ending March 1941, a total number

of more than 1,000 companies had been incorporated in Hong Kong. The Japanese Occupation from 1942 to 1945 led to the suspension of the Companies Registry, so no new companies were registered during that period.

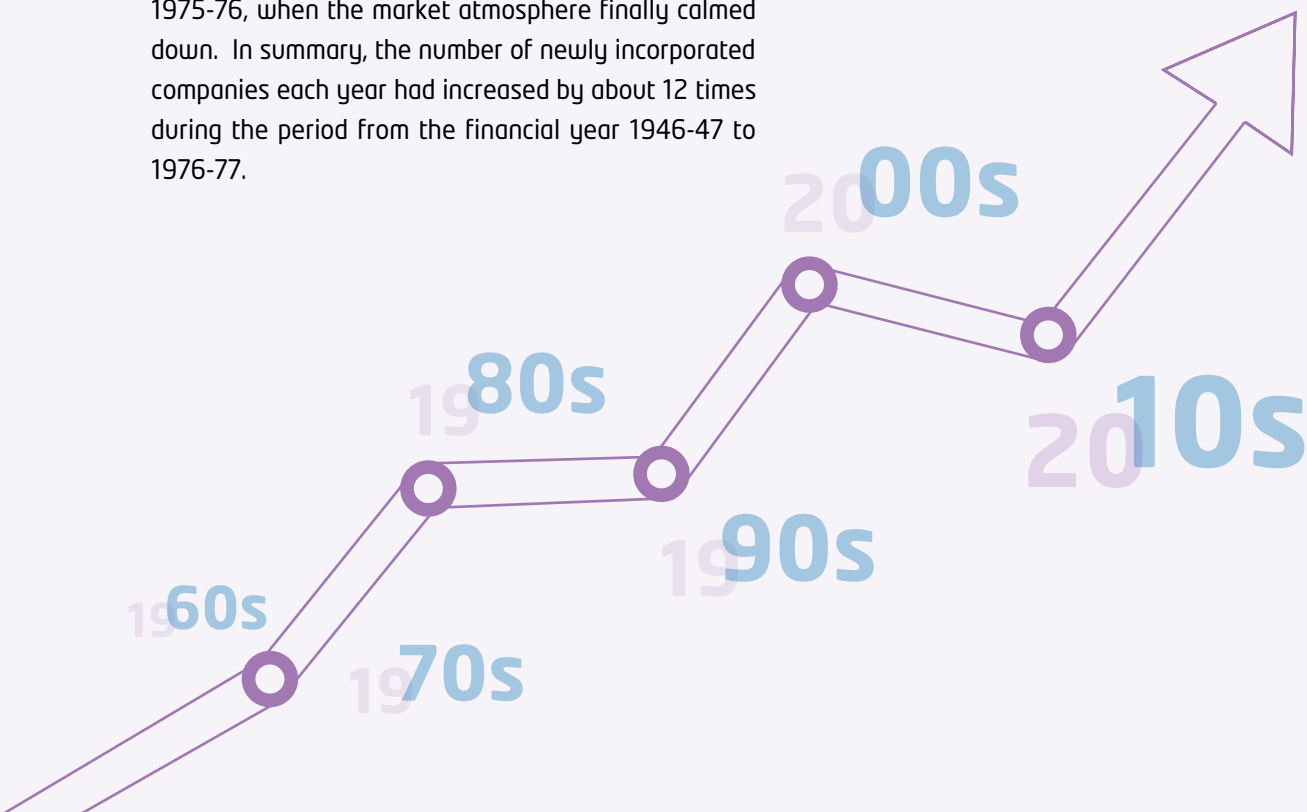
Chart III shows the trend in company incorporations after the Second World War. The number of new companies incorporated and the total nominal capital of new companies are shown on the chart by the two curves. In general, the number of new companies incorporated in Hong Kong and the nominal capital of new companies coincide with each other, except for a period from December 1973, when the drop in nominal capital is sharper than the decline of number of companies incorporated, owing to the stock market slump.

From financial year 1946 to 1960, the number of newly incorporated companies increased to three digits annually following the recovery of the economy. During the 1960s, the number grew from 694 to 2,812. The early 1960s saw keen interest in Hong Kong on the part of overseas companies and United States mutual funds, real estate funds and other investments. The year 1964-65 was a little eye-catching, in that the two lines experienced a small jump. However, this ascending trend was hit hard in 1967-68, possibly because of the Great Riots in that year. After this destructive event, the number of companies incorporated experienced



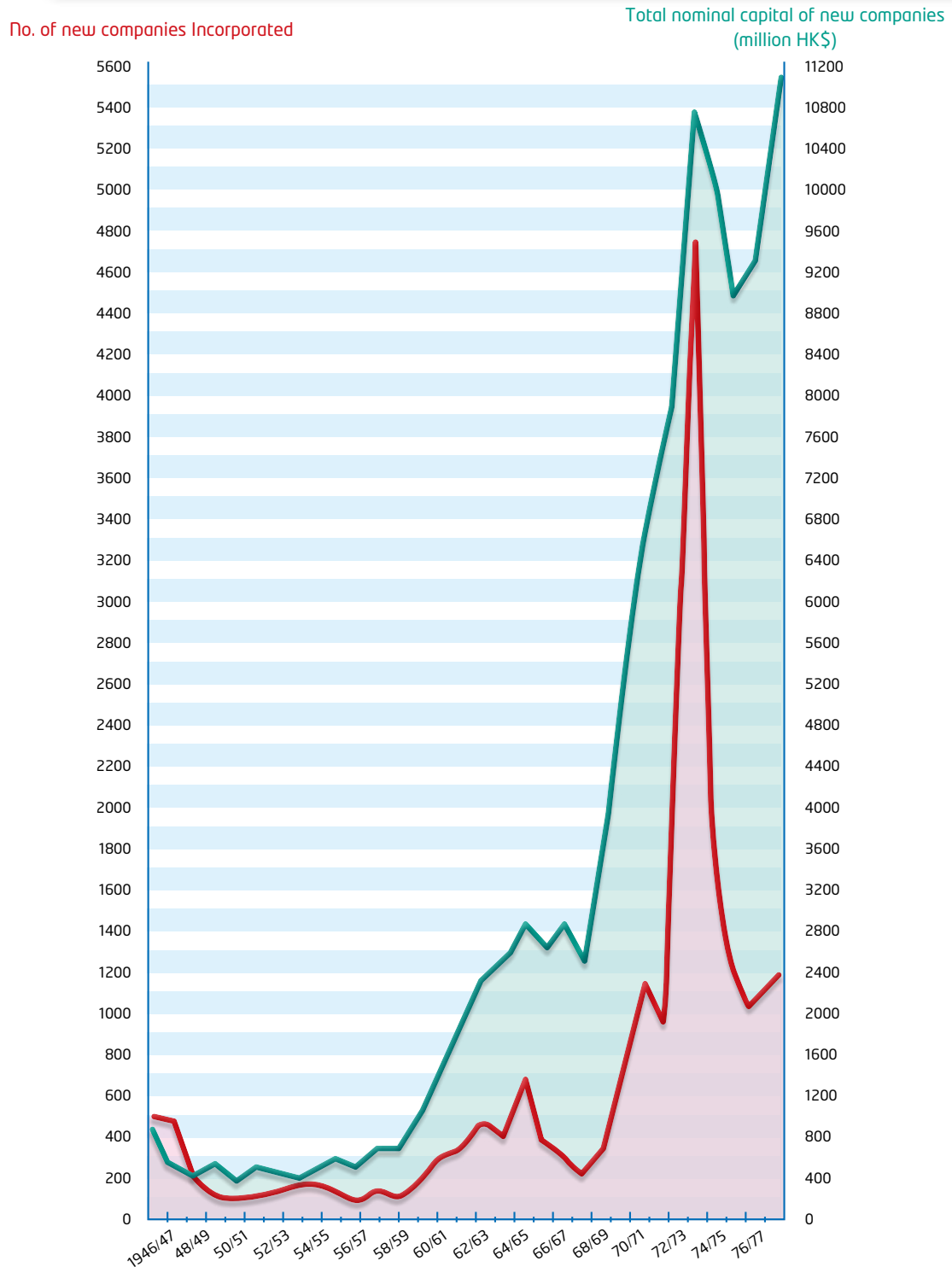
another resurgence. Interestingly, although by late 1969 the bubble had burst with the collapse of Investor Overseas Services (IOS) and other funds, well known at the time, the number of incorporations continued to grow. From 1967-68 to 1972-73, the number of newly incorporated companies increased more than four times, and the nominal capital of new companies increased remarkably, representing a huge rise after the post-war period. This gratifying trend, nevertheless, was foiled again in 1973 when a stock market slump brought about a five-year doldrums. On 23 December, 1973, the Hang Seng Index fell from 1775 to 150, representing one of the greatest market slumps in the history of Hong Kong. With the burst of the economic bubble, the number of companies incorporated decreased drastically, and the nominal capital of newly incorporated companies fell even more swiftly. This decline did not change until 1975-76, when the market atmosphere finally calmed down. In summary, the number of newly incorporated companies each year had increased by about 12 times during the period from the financial year 1946-47 to 1976-77.

The years from 1959 to 1975 are particularly noteworthy owing to the great fluctuations showed in the chart. Actually, the years around the beginning of the 1960s marked an important milestone in the whole history of company incorporation in Hong Kong. Compared with 1958-59, the number of newly incorporated companies almost doubled in financial year 1960-61. This provides clear evidence that Hong Kong businessmen were gradually becoming 'company-minded', and it was probably now true to say that few new enterprises of any magnitude were not launched as limited companies.

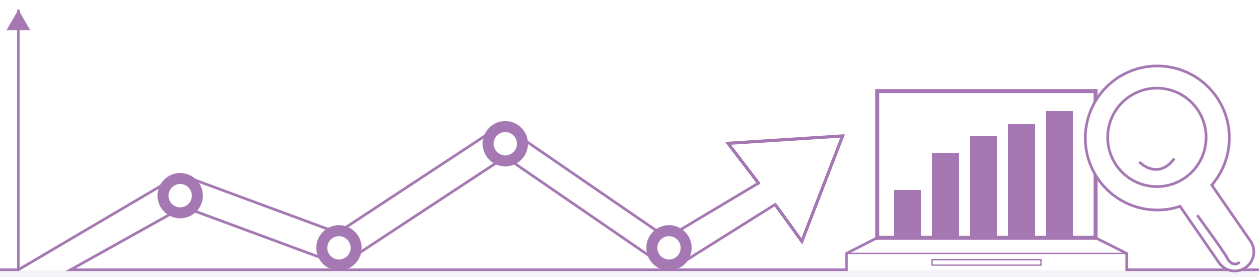


IV. Analysis of statistics of companies incorporated

Chart III **Company Incorporations: Post-war Trends**



Source: Registrar General's Department Annual Report 1976-77



The period after the 1970s is also worth mentioning, the statistics for which is shown in [Annex I](#). Moving into the 1980s, the number of companies incorporated in Hong Kong continued to rise steadily. The number of newly incorporated companies made a historical breakthrough in the year ending March 1980 when it reached the 10,000 mark. Moreover, from financial year 1979-80 to 1986-87, the number consistently totalled more than 10,000 per year. This coincided with the opening up of the Chinese economy in 1978. In the financial year ending March 1988, the number, for the first time, exceeded 27,000 per year. Although this number wobbled a little through the 80s, the general trend appeared to be increasing. The reason for the growth in numbers of companies being incorporated during this period was different from that for the previous period. With the adoption of the opening up and reform policy in China in 1978, Hong Kong became a platform for the introduction of foreign investments. At that time, various tax-favoured policies were being introduced in China in order to attract foreign investments. To make use of the favourable policies towards foreign investments, some mainland people transferred their capital to Hong Kong and incorporated their business there. When these Hong Kong incorporated companies did business in China, they were then regarded as foreign investors and enjoyed the favourable treatment that came along with this. It was obvious that company incorporation in Hong Kong brought about a great deal of benefit to mainland businessmen. As a result, the number of companies incorporated in Hong Kong increased greatly through the years.

The number of incorporations declined a little in the years 1982-83 and 1983-84 when there were

political uncertainties surrounding the negotiation between the governments of China and Britain concerning the future of Hong Kong. However, after the 1984 Joint Declaration between the two countries, with the uncertainties removed, the number went back up and continued to rise for the next five years. There was a dip in the year ending March 1990, possibly owing to the wave of mass emigration, the tougher regulation proposed by the Securities Review Committee in its Hay Davison Report (May 1988) and the fast-approaching handover in 1997. But the figure recovered in the following three years.

In the 1990s, the number of companies incorporated in Hong Kong annually fluctuated to quite a large extent. It increased greatly from 28,862 in 1990-91 to 48,163 in 1991-92 reaching a peak at 61,685 in 1992-93. It then declined slightly in 1993-94 to 59,784 and experienced a large drop in 1994-95 and 1995-96. This might be because of the measures introduced by the government to curb property prices in June 1994 and the slowdown in the economy of China, which had an impact on the property and related sectors. Also in 1996-97 and 1997-98, there were a large number of company dissolutions owing to striking off action taken by the Registrar against defunct companies under Section 290A (repealed in 1999). There was a brief return of confidence in 1996 on the eve of the handover, which saw the number of newly incorporated companies increase to 58,011 in 1996-97, but with the Asian Financial Crisis, the number declined from 1997-98. There was a short spell of recovery in 1999-2000 which saw the number of newly incorporated companies increasing slightly back up to 39,506, resulting in a net increase of 24,270. Despite the ups and downs during this

IV. Analysis of statistics of companies incorporated

period, the total number of companies on the register remained high: from 272,883 in 1990-91 to close to half a million in 1999-2000.

Lawton & Tyler's Final Report on Division of Duties and Responsibilities between the Company Secretary and Directors in Hong Kong, comparing the number of incorporated companies and the population

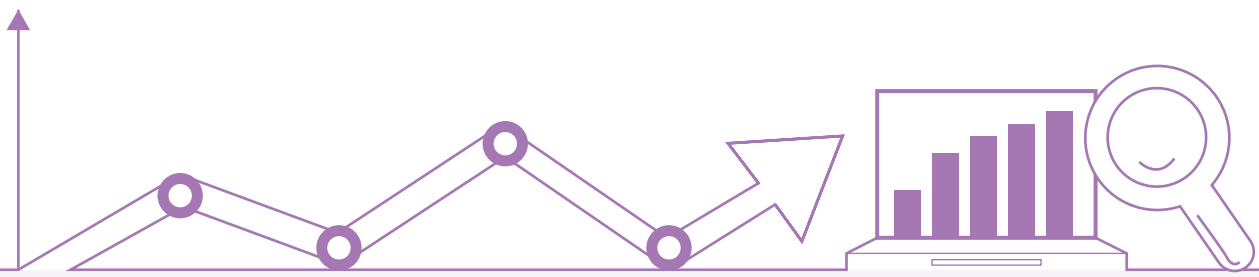
(based on figures available in 1994), indicated that in Hong Kong there was one company for every 12.7 people, whereas in Australia and New Zealand the comparable figures were 1:21.5 and in Great Britain 1:57.6. This represents clear evidence that Hong Kong had become a highly incorporated society by then, partly due to the convenient procedure for incorporation and partly due to the position of Hong Kong as a free port for conducting business.

Table I

Comparison of Population with Number of Incorporated Companies

| Country | Approximate Population | Total Companies | Listed Companies | Number of Population per Company |
|------------------------|------------------------|-----------------|------------------|----------------------------------|
| Britain | 56,400,000 | 979,000 | 2,000 | 57.6 |
| Singapore | 2,800,000 | 100,000 | 240 | 28.0 |
| Hong Kong | 5,600,000 | 440,000 | 500 | 12.7 |
| Malaysia | 18,000,000 | 275,000 | 427 | 65.5 |
| New Zealand | 3,350,000 | 163,000 | 1,030 | 20.6 |
| Australia | 17,712,700 | 825,000 | 1,145 | 21.5 |
| Southern Africa | 31,000,000 | 178,439 | 670 | 173.7 |

Source: Hong Kong Institute of Chartered Secretaries.
(The figures are those available to the compiler in the autumn of 1994.)



Readers will recall the huge growth of corporate insolvency and personal bankruptcy as a result of the Asian Financial Crisis and the collapse of the property market from which it took Hong Kong more than seven years to recover. Together with the introduction of the statutory procedures to deregister defunct solvent private companies in 1999, the picture from 2001-2004 showed a period of adjustment. While the number of newly incorporated companies in 2000-01 continued to rise to 41,498, the number of company dissolutions also continued to rise, and surpassed the number of newly incorporated companies in 2001-04, resulting in a net decrease of between 4,305 companies in 2001-02 and 3,327 in 2003-04, even though as many as 53,549 companies were newly incorporated in 2002-03. Matters took a dramatic turn in 2004-05, with the number of newly incorporated companies reaching 66,466 for the first time in the history of Hong Kong. Since then, the number of new incorporation has consistently continued to rise, to 75,817 in 2005-06, 84,545 in 2006-07, and reaching the 100,000 milestone at 101,512 in 2007-08 and 109,416 in 2008-09. This huge turnaround was due to the gradual recovery of the economy in Hong Kong and the closer relationship between Mainland China and Hong Kong (for example the Individual Visit Scheme that began on 28 July 2003 and the Mainland and Hong Kong Closer Economic

Partnership Agreement (CEPA), signed on 29 June 2003, which allows all goods of Hong Kong origin to be imported into the Mainland tariff-free, and Hong Kong service suppliers to enjoy preferential treatment in entering into the Mainland market in various service areas), as well as the introduction of one-member companies from February 2004, which made incorporation ever easier. Statistics from the annual reports of the Companies Registry show that from 2004 to 2007, around 70-80% of newly incorporated companies are one-member companies. This period also coincided with the recovery of the property market, and many investors bought shelf companies through which to hold property.

Whilst large number of companies continued to be dissolved between 2004-05 and 2008-09,²³ as Hong Kong continued to adjust to the structural changes in the economy, there was a healthy sizable net increase of companies incorporated during that period, with the total number of companies operating in Hong Kong reaching a record high of 968,665 in 2011-12 and the annual incorporation number being maintained at above 100,000 per year. Hong Kong has now become an ideal location for company incorporation in the Far East.

²³ According to Companies Registry Annual Report 2008-2009, from 2003-2009 (first 6 months), there have been 12,731 companies liquidated and more than 130,000 companies deregistered at the Companies Registry.

IV. Analysis of statistics of companies incorporated

Table II

Companies as Proportion of Businesses

| Year Ended 31 March | Number of Businesses | Number of Companies | Companies as Proportion of Business |
|---------------------|----------------------|---------------------|-------------------------------------|
| 1961 | 68,045 | 4,342 | 6.38 % |
| 1965 | 103,938 | 8,638 | 8.31 % |
| 1970 | 138,268 | 15,848 | 11.46 % |
| 1975 | 181,754 | 36,228 | 19.93 % |
| 1980 | 248,282 | 70,863 | 28.54 % |
| 1985 | 353,482 | 134,318 | 38.00 % |
| 1990 | 465,221 | 247,620 | 53.23 % |
| 1991 | 484,443 | 272,883 | 56.33 % |
| 1992 | 552,065 | 316,096 | 57.26 % |
| 1993 | 579,962 | 373,406 | 64.38 % |
| 1994 | 630,357 | 429,070 | 68.07 % |
| 1995 | 636,312 | 457,994 | 71.98 % |
| 1996 | 629,111 | 474,451 | 75.42 % |
| 1997 | 638,249 | 486,997 | 76.30 % |
| 1998 | 633,071 | 469,176 | 74.11 % |
| 1999 | 614,646 | 474,761 | 77.24 % |
| 2000 | 615,958 | 499,031 | 81.02 % |
| 2001 | 624,987 | 512,357 | 81.98 % |
| 2002 | 625,996 | 508,052 | 81.16 % |
| 2003 | 661,438 | 504,246 | 76.23 % |
| 2004 | 672,275 | 500,919 | 74.51 % |
| 2005 | 694,332 | 525,447 | 75.68 % |
| 2006 | 735,169 | 555,745 | 75.59 % |
| 2007 | 766,299 | 604,993 | 78.95 % |
| 2008 | 820,767 | 667,144 | 81.28 % |
| 2009 | 884,296 | 732,961 | 82.89 % |
| 2010 | 945,134 | 791,347 | 83.73 % |
| 2011 | 1,060,196 | 886,371 | 83.60 % |
| 2012 | 1,134,032 | 968,665 | 85.42 % |

Note:

In compiling this table, reference has been made to:

1. Lawton & Tyler, Division of Duties and Responsibilities between the Company Secretary and Directors in Hong Kong - Final Report (HKICS: April 2001);
2. Annual Reports of the Inland Revenue Department; and
3. Annual Reports of the Companies Registry.

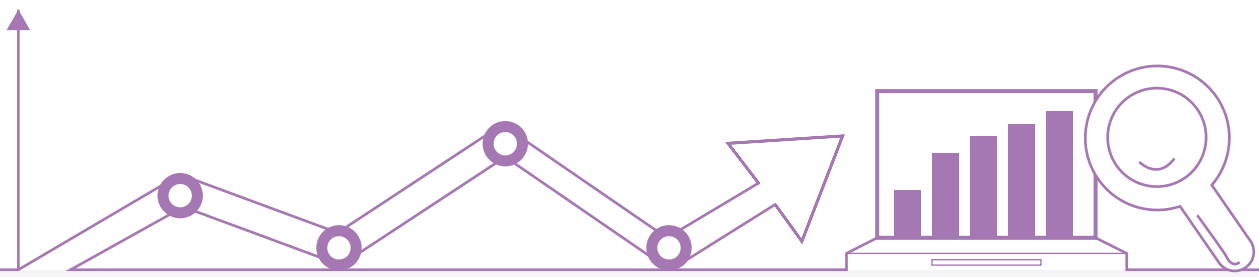


Table II shows the number of companies as a proportion of the number of businesses. It is obvious from the table that companies did not become the major form of business until 1990. This is quite late, in the sense that only after 125 years of the introduction of the first Companies Ordinance in Hong Kong did companies become the majority form in Hong Kong.

Table III shows, since 1947, events in Hong Kong, China and the world, some of which undoubtedly affected business confidence. New registrations decreased during several periods. At least for the period from 1980s onwards, any decrease can be interpreted as a reaction to external events, some international, some relating to China, and some local, affecting business confidence. The events column indicates events which might have had an impact on business confidence and discouraged company incorporation.

One point in the events column worth noting is in relation to listed companies. The number of listed companies is quite static in the 1970s and 1980s. The breakthrough came in 1991 and 1998. In addition, a very important but disturbing trend for companies to re-domicile (that is, re-incorporate in another jurisdiction, such as Bermuda, the Cayman Islands, etc.) started in 1988, partly as a result of the debate arising out of the Report of the Securities Review Committee (the Hay Davison Report). The Committee was set up shortly after the October 1987

Stock Market crash as a reaction to the suspension of trading of the Stock Exchange of Hong Kong. The report was published in the middle of 1988 and recommended a wholly new structure for the Hong Kong securities industry, from a state of under-regulation to a state of anticipated over-regulation, with a powerful supervisory body, which in the event was to be the Securities and Futures Commission. Many commentators considered that the report went too far in its enthusiasm for regulation. This fear of over-regulation, together with the approach of 1997, triggered the trend for re-domiciling Hong Kong incorporated companies to jurisdictions where regulation was less onerous. New or proposed legislation on disclosure of the beneficial ownership of shares and new insider dealing legislation also fed this fear.

In 1989, 37 listed companies re-domiciled. By the end of 1993, of the 450 so-called domestic listed companies, 255 were incorporated overseas, although their principal activities were in Hong Kong. By the end of 1998, there were 680 listed companies, of which only 200 were Hong Kong incorporated. The situation was not unique (many stock markets list domestic companies incorporated offshore), but the size of the problem was. Offshore incorporation was not just an issue for privacy and anonymity. Shelf company vendors reckoned that they sold many more offshore companies than Hong Kong companies. British Virgin Islands (BVI) international business companies (IBCs) were the most popular up until 2001.

IV. Analysis of statistics of companies incorporated

Table III

| Companies Registration Figures | | |
|---------------------------------------|-----------------------------------|-------------------------|
| Year Ended 31 March | Total Company Registration | New Registration |
| | | Events |
| 1947 | 1,529 | 427 |
| 1948 | 1,797 | 279 |
| 1949 | 2,008 | 229 |
| 1950 | 2,255 | 276 |
| 1951 | 2,278 | 186 |
| 1952 | 2,440 | 248 |
| 1953 | 2,521 | 229 |
| 1954 | 2,629 | 202 |
| 1955 | 2,805 | 250 |
| 1956 | 2,618 | 284 |
| 1957 | 2,791 | 260 |
| 1958 | 3,045 | 353 |
| 1959 | 3,322 | 351 |
| 1960 | 3,732 | 491 |
| 1961 | 4,342 | 694 |
| 1962 | 5,191 | 910 |
| 1963 | 6,209 | 1,149 |
| 1964 | 7,354 | 1,251 |
| 1965 | 8,638 | 1,420 |
| 1966 | 9,761 | 1,286 |
| 1967 | 10,970 | 1,428 |
| 1968 | 11,889 | 1,215 |
| 1969 | 13,372 | 1,868 |
| 1970 | 15,848 | 2,812 |
| 1971 | 18,993 | 3,461 |

Events

Hong Kong Stock Exchange Limited established.

Registrar General's Department established.

Riots in Kowloon and Tsuen Wan.

Property market collapsed.

Peony House West Block Scheme of arrangement.

Part XI companies 547 (54 new) (companies registered under Part XI of the Companies Ordinance (i.e. non-Hong Kong companies)). Bank failures.

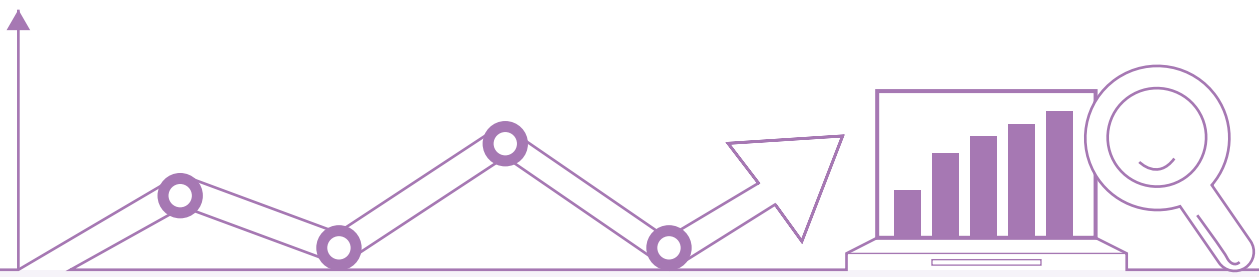
Star Ferry riots.

Disturbances.

60 listed companies.

Far East Exchange opened.

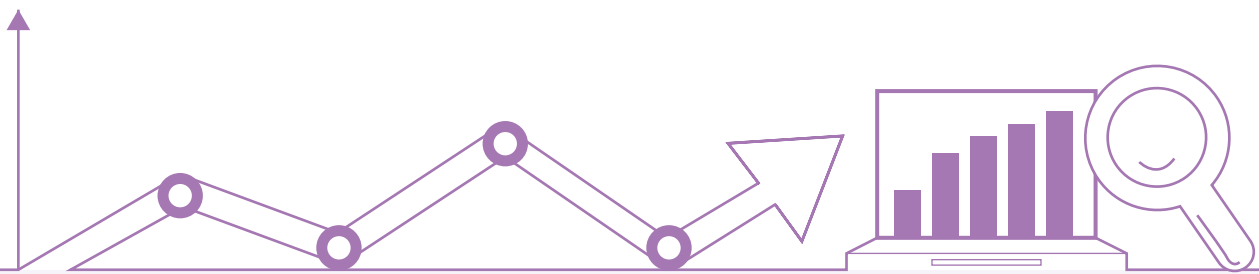
Kam Ngan Stock Exchange opened.



| Year Ended 31 March | Total Company Registration | New Registration | Events |
|---------------------|----------------------------|------------------|--|
| 1972 | 22,514 | 3,953 | Kowloon Stock Exchange opened. |
| 1973 | 27,530 | 5,389 | Part XI companies 843 (97 new). 260 listed companies. |
| 1974 | 32,278 | 5,050 | Securities Ordinance and Protection of Investors Ordinance enacted. |
| 1975 | 36,228 | 4,439 | First oil crisis. |
| 1976 | 40,194 | 4,613 | 295 listed companies. |
| 1977 | 45,240 | 5,543 | |
| 1978 | 51,232 | 6,862 | |
| 1979 | 59,667 | 9,261 | |
| 1980 | 70,863 | 11,907 | 262 listed companies. |
| 1981 | 85,133 | 15,162 | |
| 1982 | 99,149 | 14,850 | Sino-British talks on the future of Hong Kong. |
| 1983 | 110,862 | 12,679 | Part XI companies 1,740 (235 new). |
| 1984 | 121,477 | 11,986 | Second oil crisis. Companies (Amendment) Ordinance. |
| 1985 | 134,318 | 14,080 | |
| 1986 | 150,551 | 17,990 | Part XI companies 2,122 (257 new). |
| 1987 | 166,807 | 18,722 | 276 listed companies. |
| 1988 | 190,935 | 27,024 | Trading at Hong Kong Stock Exchange suspended. Securities Review Committee established. |
| 1989 | 223,054 | 34,548 | Securities and Futures Commission established. Re-domiciling trend (37 listed companies re-incorporated offshore). |
| 1990 | 247,620 | 27,371 | |
| 1991 | 272,883 | 28,862 | Gulf War. 357 listed companies (year end). |
| 1992 | 316,096 | 48,163 | Securities (Disclosure of Interests) Ordinance and Securities (Insider Dealing) Ordinance came into force. 413 listed companies (year end). |
| 1993 | 373,406 | 61,685 | Part XI companies 3,284 (560 new). |

IV. Analysis of statistics of companies incorporated

| Year Ended 31 March | Total Company Registration | New Registration | Events |
|---------------------|----------------------------|------------------|--|
| 1994 | 429,070 | 59,784 | Companies Registry as a trading fund department established on 1 August 1993. Property Market depressed. Offshore incorporations (e.g. British Virgin Islands). Part XI companies 3,648 (517 new). |
| 1995 | 457,994 | 36,775 | 500,000 th certificate of incorporation issued to the Hong Kong Blind Union on 8 December 1994. |
| 1996 | 474,451 | 33,570 | 583 listed companies at year end (200 Hong Kong Incorporated). Part XI companies 4,429 (583 new). |
| 1997 | 486,997 | 58,011 | Part XI companies 4,683 (new 655). 658 listed companies (638 domestic, of which 397 incorporated overseas and 39 China enterprises, and 20 foreign). Asian Financial Crisis. Property Market collapsed. |
| 1998 | 469,176 | 39,016 | Part XI companies 5,159 (new 711). 680 listed companies at year end (only 200 Hong Kong incorporated). Downturn in economy in Hong Kong. |
| 1999 | 474,761 | 30,705 | Compulsory winding up orders increased by 66 per cent to 763 (459 for 1998). |
| 2000 | 499,031 | 39,506 | |
| 2001 | 512,357 | 41,498 | |
| 2002 | 508,052 | 38,692 | September 11 attacks in the United States of America. |
| 2003 | 504,246 | 53,549 | Outbreak of severe acute respiratory syndrome (SARS). |
| 2004 | 500,919 | 48,463 | Closer Economic Partnership Arrangement (CEPA). Individual Visit Scheme. Property market started to recover. The Securities and Futures Ordinance came into operation on 1 April 2003, marking the beginning of an important chapter of Hong Kong's securities and futures regulation. |



| Year Ended 31 March | Total Company Registration | New Registration | Events |
|---------------------|----------------------------|------------------|--|
| 2005 | 525,447 | 66,466 | CEPA Supplement. |
| 2006 | 555,745 | 75,817 | 1,000,000 th certificate of incorporation issued to Asian Society for Traumatic Stress Studies Limited on 7 October 2005. CEPA Supplement. |
| 2007 | 604,993 | 84,545 | CEPA Supplement. |
| 2008 | 667,144 | 101,512 | CEPA Supplement. Global Financial Crisis. |
| 2009 | 732,961 | 109,416 | CEPA Supplement. Global stimulus packages. |
| 2010 | 791,347 | 107,416 | CEPA Supplement. |
| 2011 | 886,371 | 143,797 | 1,500,000 th certificate of incorporation issued to Youth Elderly Care Movement Limited on 1 September 2010. CEPA Supplement. Quantitative Easing II of the United States of America. |
| 2012 | 968,665 | 139,366 | CEPA Supplement. |

Note:

In compiling this table, reference has been made to:

1. Lawton & Tyler, Division of Duties and Responsibilities between the Company Secretary and Directors in Hong Kong - Final Report (HKICS: April 2001); and
2. Statistics available in the Companies Registry.

IV. Analysis of statistics of companies incorporated

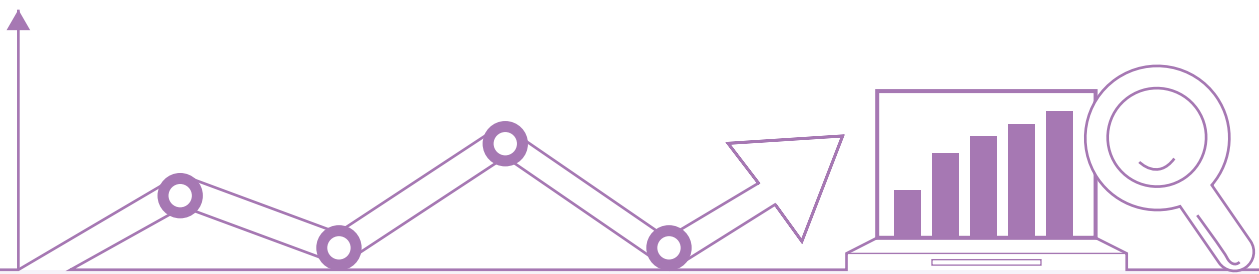
3. The first ten local companies which appear on the records of the Companies Registry

The nature of the first few companies established in Hong Kong provides hints to the future economic development of Hong Kong. An investigation into the first ten companies reveals that five of them were insurance companies and two were related to the shipping industry. Surprisingly, most of these companies had a very long history and were not dissolved until very recently. In fact, some of them are still active (such as The Hong Kong and Whampoa Dock Company Limited) or even listed on the stock exchange (such as The Hongkong and Shanghai Hotels, Limited). Such examples clearly show the importance of the financial sector and the shipping industry in the economic development of Hong Kong.

1 The first company was The British Traders' Insurance Company Limited, incorporated on 12 October, 1865. Interestingly, this was also the first insurance company established in Hong Kong, revealing the importance of the insurance industry in Hong Kong's economy. It was also a company that had a very long history in Hong Kong. From 1865 to 2003, the company thrived and was sustained through several rounds of economic downturn. This company was voluntarily wound up by its members in 2003.

2 The second company, The Hong Kong Canton & Macao Steamboat Co. Ltd., was in the shipping industry. This company also had a relatively long history, although not as long as the first one: it was dissolved in 1958.

3 The third company was The Hongkong and Shanghai Hotels, Limited which was incorporated in 1866 in the name of The Hongkong Hotel Company Limited. As a matter of fact, this is also the company with the longest history in Hong Kong today. It is still active and listed on the stock exchange (stock code: 00045). With its business spread to Asia, the United States of America and Europe, the



development of the company epitomises the growth of the food and service industry in Hong Kong.

4

The fourth company, The Hong Kong and Whampoa Dock Company Limited, was also in the shipping industry. It was founded in 1863 and registered as a private company in 1866 by Douglas Lapraik and Thomas Sutherland. It was once among the largest dockyards in Asia, but was heavily bombarded by Japanese aircraft on the eve of the Japanese occupation of Hong Kong. It was merged with Hutchison International Limited in 1977 to form Hutchison Whampoa Limited, and listed in January 1978 (stock code: 00013).

5

The fifth company was The Hong Kong Fire Insurance Company Limited. It was established in 1868 but dissolved in 2004.

&

6

The sixth was The China Fire Insurance Company Limited. It was incorporated in 1870 but dissolved in 1956. With similar members sitting on their boards, these two companies were among the first to provide fire insurance services to the public.

7

The seventh company was the China Sugar Refining Company, Limited. It was incorporated in 1878 but dissolved in 1933.

8

The eighth company was The Hongkong Ice Company Limited. It was a private company incorporated in 1880 and dissolved in 1919.

9

The ninth company was The Man On Insurance Company Ltd., incorporated in 1881 and dissolved in 1955.

10

The tenth company was HSBC Insurance (International) Limited. It was incorporated in 1881 and dissolved in 2000. In 1881, when this company was incorporated, it was registered as The Canton Insurance Office Limited. In 1953 it was renamed the Lombard Insurance Company Limited and in 1996 renamed again as HSBC Insurance (International) Limited.

IV. Analysis of statistics of companies incorporated

4. Notable examples of companies with a long history still operating in Hong Kong

32 companies that were incorporated before 1 January 1913 (centenary companies) are still in operation. In addition to those mentioned below, there are other notable cases such as The Hong Kong Club which was registered in 1885 as a guarantee company, AXA General Insurance Hong Kong Limited, registered in 1889 as a public company, The "Star" Ferry Company

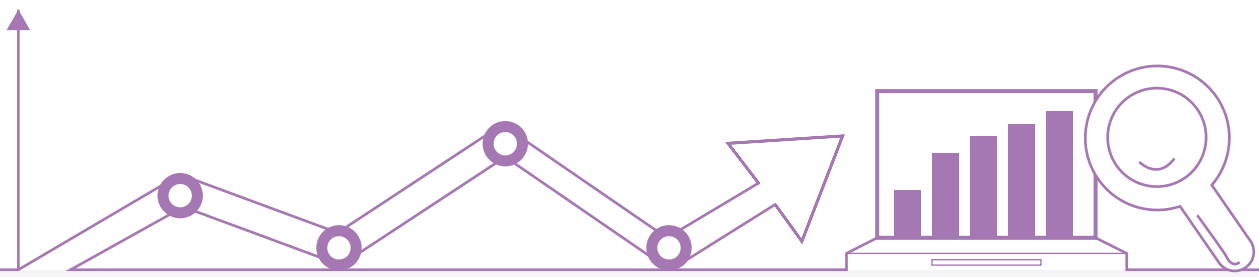
Limited, registered in 1898 as a private company, The Law Society of Hong Kong, registered in 1907 as a guarantee company, and The Hong Kong Golf Club, registered in 1911 as a guarantee company. We describe here some of the more notable examples.

Watsons

A.S. Watson has a history dating back to 1828 in Guangzhou, China as a dispensary, and its operations extended to Hong Kong in 1841 with the establishment of the Hong Kong Dispensary. In 1886, with the expansion of its business from pharmacy to soft drinks in Hong Kong, A.S. Watson & Company, Limited was incorporated as a private company in Hong Kong. This incorporation proved to be a successful experiment. By 1895, A.S. Watson was operating 35 stores and produced about 300 dispensary, toiletry and perfumery lines. Thereafter, A.S. Watson & Company Limited became a subsidiary of the Hutchison Group in 1963, and a wholly owned subsidiary of Hutchison Whampoa Limited in 1981. A.S. Watson has now become an international retail and manufacturing corporate group whose business operates worldwide. The Group operates retail stores running the gamut from health and beauty, luxury perfumeries and cosmetics to food, electronics, fine wine and airport retail arms. It is also an established player in the beverage industry, and remains a subsidiary of Hutchinson Whampoa (source: A. S. Watson website: <http://www.aswatson.com/>).

Hong Kong and Whampoa Dock

The company was founded by Douglas Lapraik and Thomas Sutherland in 1863 to acquire docks and repair yards at Whampoa, on the Pearl River in China, and the then newly constructed dry docks at Aberdeen on Hong Kong Island. The company was incorporated as a private company in Hong Kong in 1866 in the name of The Hong Kong and Whampoa Dock Company Limited. For over a century, the company ran one of the largest dry-docking, ship repair and shipbuilding operations in the Far East, survived two world wars and, at its peak, handled an average of 25 vessels per week. By 1960 it was servicing the ships of no fewer than 23 nationalities and 9 navies. The company first ventured into property development in 1969. In 1970, the company acquired a majority shareholding in China Provident Company Limited, long established as a leading wharf and warehouse operator on Hong Kong Island. In 1977, the company merged with Hutchison International Limited to form Hutchison Whampoa Limited and the company's business became predominantly property-orientated, with an expanded management structure that included marketing and estate management divisions, while the container terminal business was transferred to Hong Kong International Terminals Limited (source: Hutchison Whampoa Property website: <http://www.hwpg.com/>).



Jardine Matheson Holdings

The history of Jardine Matheson Holdings can be traced back to a partnership established by Dr. William Jardine and James Matheson in Guangzhou in 1818. Two years before the East India Company lost its monopoly over British trade with China, William Jardine and James Matheson entered into formal partnership as a private firm of Jardine, Matheson & Co. in 1832. In 1842, the firm built their first substantial house and established their head office in Hong Kong, heralding an era of increased prosperity and expansion. In 1906, the company was incorporated in Hong Kong as a local company.

Throughout the history of Hong Kong, Jardines have played a large part in all of the affairs of the colony. In June 1850, David Jardine was one of the first two unofficial members of the Legislative Council. Hong Kong was the head office of the Company, and, on many occasions, the managing directors were members of both the legislative and executive councils of the government. The firm was closely connected with every phase of Hong Kong's development. Many of the essential services such

as shipping, wharves and warehouses, railways, property, etc. that are presently in operation owe their inception to the firm. The Indo-China Steam Navigation Company Limited had its head office in Hong Kong. The chairmanship of the boards of directors of The Hongkong Land Investment and Agency Company, Limited, Hongkong & Kowloon Wharf & Godown Co Ltd, The "Star" Ferry Company Limited, and Hongkong Tramways Limited, were always held by the managing director of Jardines in Hong Kong.

The Jardine Matheson Group is still very much active in Hong Kong, being one of the largest conglomerates in Hong Kong. Several landmarks in present day Hong Kong are named after the firm and the founders, Jardine and Matheson, for example Jardine's Bazaar, Jardine's Crescent, Jardine's Bridge, Jardine's Lookout, Yee Wo (Jardine's Chinese name) Street, Matheson Street, Jardine House and the Noon-day Gun, evidencing the great influence of the group in the history of Hong Kong (source: http://en.wikipedia.org/wiki/Jardine_Matheson_Holdings).

IV. Analysis of statistics of companies incorporated

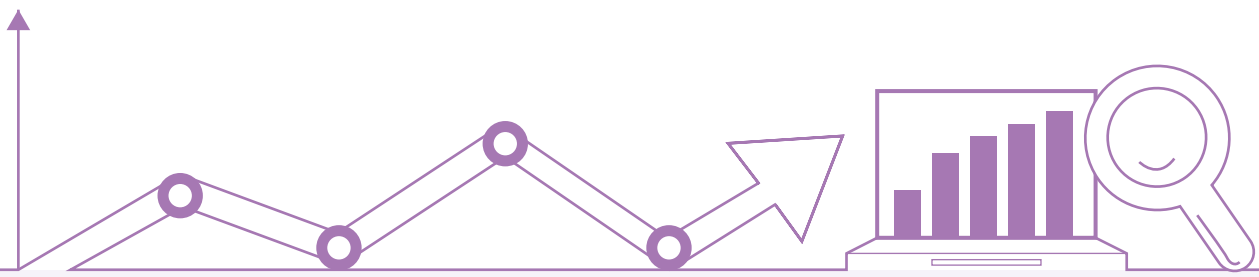
5.

Companies starting as small businesses but becoming large companies with many subsidiaries incorporated in Hong Kong

Cheung Kong Group

The development of the Cheung Kong Group epitomises the development of the Hong Kong economy. In 1950, Li Ka Shing established the Cheung Kong Plastic Factory. In 1964, this factory was restructured and incorporated into Cheung Kong Industrial Company Limited, whose major business was the manufacturing of plastic flowers. With his growing financial strength gained from this business, Li Ka Shing decided to move his investment into the property industry in Hong Kong. During the 1960s, the number of properties registered under the Cheung Kong Industrial Company Limited kept increasing. In 1971, Li Ka Shing established the Cheung Kong Real Estate Company Limited, which was renamed Cheung Kong (Holdings) Limited in 1972. The incorporation of this company symbolised the creation of a real estate empire by Li. In the same year, Cheung Kong (Holdings) Limited was listed on the stock exchange and boosted by investors immediately. Through its investment in the property industry and fund-raising

in the stock markets, Cheung Kong (Holdings) Limited expanded rapidly and caught the attention of local and overseas capitalists. By the end of the 1970s, the eminence of Cheung Kong (Holdings) Limited in the property industry in Hong Kong had been confirmed. Later, Cheung Kong (Holdings) Limited extended its reach into other industries and purchased Hutchison Whampoa Limited and Hong Kong Electric Holdings Limited. In the years thereafter, Li continued to restructure, diversify and internationalise his business. Cheung Kong Group, flagshipped by Cheung Kong (Holdings) Limited, is now one of Hong Kong's leading multinational conglomerates. Members of the Cheung Kong Group include Cheung Kong (Holdings) Limited, Hutchison Whampoa Limited, Power Assets Holdings Limited, Cheung Kong Infrastructure Holdings Limited, CK Life Sciences Int'l., (Holdings) Inc., Hutchison Telecommunications Hong Kong Holdings Limited, Hutchison Harbour Ring Limited and TOM Group Limited. (source: Feng Bangyan, Xianggang Huazi Caituan (1841-1997) [Chinese-established Consortium in Hong Kong (1841-1997)], Hong Kong: Joint Publishing Press, 1997).



Hongkong and Shanghai Banking Corporation

The achievement of the Hongkong and Shanghai Banking Corporation (HSBC) represents the development of the banking industry in Hong Kong. Founded in March 1865 by Thomas Sutherland, HSBC was the first bank headquartered in Hong Kong to finance the growing trade between China and Europe. At its birth, the bank was operated on “sound Scottish banking principles”. Branches in Shanghai and Japan were established subsequently. Later, under the management of Thomas Jackson as the chief manager, the bank expanded its business into other parts of Asia such as Thailand, the Philippines and Singapore in the late 19th century. By the 1870s, HSBC became the largest bank in Hong Kong. The Japanese invasion forced the bank to move its headquarter to London. After the invasion, the headquarters of the bank moved back to Hong Kong in 1946. The 1950s to 1980s witnessed the bank’s international expansion and business diversification. In 1965, the bank purchased a controlling block of Hang Seng Bank of Hong Kong and in 1972 formed a merchant banking arm, Wardley Limited. With the growing diversification of the business, the next milestone in the development of HSBC was the

creation of the HSBC Group. In 1991, HSBC Holdings plc was established to act as the parent company to the group, with its shares quoted on both the London and Hong Kong stock exchanges. Later, the group acquired Midland Bank in the United Kingdom in July 1992, making it one of the largest banking and financial services organisations in the world. As part of the takeover conditions for the purchase of Midland Bank, HSBC Holdings plc was required to move its world headquarters from Hong Kong to London, which it did in 1993. The 1990s have seen further expansion and consolidation of the various businesses of the HSBC Group, such as the establishment of a joint venture in the United States of America, the formation of a new subsidiary in Brazil, the acquisition of Roberts Group in Argentina, and the share purchase in Mexico’s Group Financiero Serfin. In 1999, HSBC Holdings plc acquired a controlling interest in Seoul Bank, one of the largest commercial banks in South Korea. Now, the HSBC Group comprises a unique range of banks and financial service providers around the globe. In February 2008, HSBC was named as the world’s most valuable banking brand by The Banker Magazine (source: Feng Bangyan, Xianggang Yingzi Caituan (1841-1996) [British-established Consortium in Hong Kong (1841-1996)], Hong Kong: Joint Publishing Press, 1996).

IV. Analysis of statistics of companies incorporated

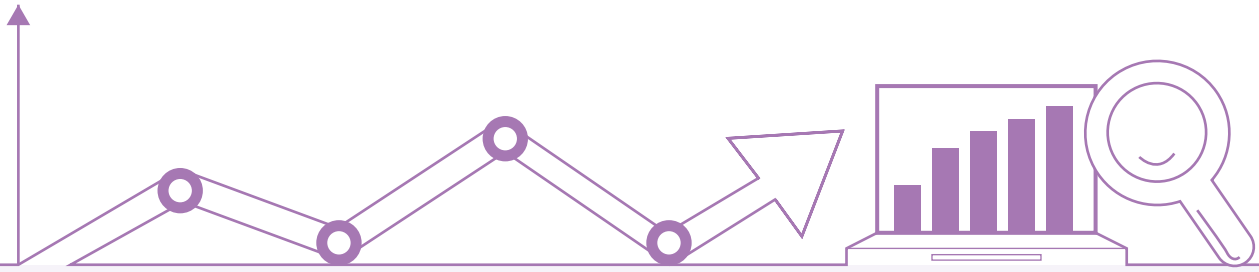
Hutchison Whampoa Limited

The development of Hutchison Whampoa Limited tells another story of the evolution of Hong Kong companies. Hutchison Whampoa was originally two companies founded in the 19th century, Hong Kong and Whampoa Dock, as mentioned above, and Hutchison International. The latter was formerly named Robert Walker & Co. in 1860 and taken over by John D. Hutchison and renamed John D. Hutchison & Co. in 1873. It was not until 1965, when Colonel Sir Douglas Clague became the chair of the board, that the company was renamed Hutchison International Limited and became a dazzling star in the local markets. In the few years following the renaming of the company, Hutchison International Limited, under the leadership of Sir Douglas, took over a number of businesses in Hong Kong, such as Watsons. In particular, Hutchison International Limited gained a controlling interest in the Hong Kong and Whampoa Dock in 1969 and laid down the foundation for the development of Hutchison Whampoa Limited thereafter.

Although the company had a portfolio of valuable real estate interests in docks and retail ventures, during the stock market slump in 1972-1973, Hutchison

International Limited was hit hard. Hutchison International Limited and Hong Kong and Whampoa Dock merged into Hutchison Whampoa Limited in 1977, forming one of the biggest corporate groups in Hong Kong. By 1979, Hutchison Whampoa Limited had recovered its vital force and got back on track. On 25 September 1979, Li Ka Shing and HSBC made an agreement regarding the takeover of Hutchison Whampoa by Cheung Kong (Holdings) Limited. Thereafter, the company became one of the members of the Cheung Kong Group.

Hutchison Whampoa, as a leading international corporation, has a diverse array of businesses, ranging from ports, property and hotels, retail, energy, infrastructure, investments, to telecommunications. It is now among the largest companies listed on the main board of the Hong Kong Stock Exchange. Flagship companies include Hutchison Port Holdings, Hutchison Whampoa Properties, A.S. Watson, Cheung Kong Infrastructure and Hutchison Telecom (sources: Feng Bangyan, Xianggang Yingzi Caituan (1841-1996) [British-established Consortium in Hong Kong (1841-1996)], Hong Kong: Joint Publishing Press, 1996; and Hutchison Whampoa Limited, <http://www.hutchison-whampoa.com/>)



Swire Group

The development of the Swire Group is a representation of the gradual expansion of foreign investment in Hong Kong. The Swire Group was started by John Swire as a modest Liverpool import-export company in the early years of the 19th century. In the 1860s, John Swire initiated trading business with China. In 1866, a partnership with R.S. Butterfield, Butterfield & Swire, was established in Shanghai with its core business in trading. On 1 May 1870, a Hong Kong branch of Butterfield & Swire was opened. From its establishment, the Hong Kong branch was positioned as being as important as the Shanghai office. In 1900, Butterfield & Swire founded the Taikoo Dockyard Company in Hong Kong, which was registered in Hong Kong in 1940 as The Taikoo Dockyard and Engineering Company of Hong Kong Limited and listed on the Hong Kong Stock Exchange in 1959 (stock code: 0019). So, with the passage of time, the Hong Kong branch gradually became the regional headquarters of the group in the Far East for the development of its shipping business and, after around 70-80 years of development, by the time of World War II, Swire Group had developed into a diversified enterprise group.

After a series of acquisitions, the company was restructured and renamed Taikoo Swire Limited in 1973 and Swire Pacific Limited in 1974. At the same time, Butterfield and Swire (Hong Kong) Limited was renamed John Swire & Sons (H.K.) Limited, which remained as the privately owned parent company of Swire Pacific. By then, Hong Kong Swire Group had become a diversified enterprise group with John Swire & Sons (H.K.) Limited as the controlling company and Swire Pacific Limited as the listed flagship. In addition, the Hong Kong Swire Group had become an important backbone of the British Swire Consortium. In 2009, Swire Pacific ranked second in Wall Street Journal's list of Most Admired Companies in Hong Kong, while its subsidiary, Cathay Pacific, ranked first, meaning that the group's business dominated the top two spots of the list (sources: Feng Bangyan, Xianggang Yingzi Caituan (1841-1996) [British-established Consortium in Hong Kong (1841-1996)], Hong Kong: Joint Publishing Press, 1996; http://en.wikipedia.org/wiki/Swire_Group)

IV. Analysis of statistics of companies incorporated

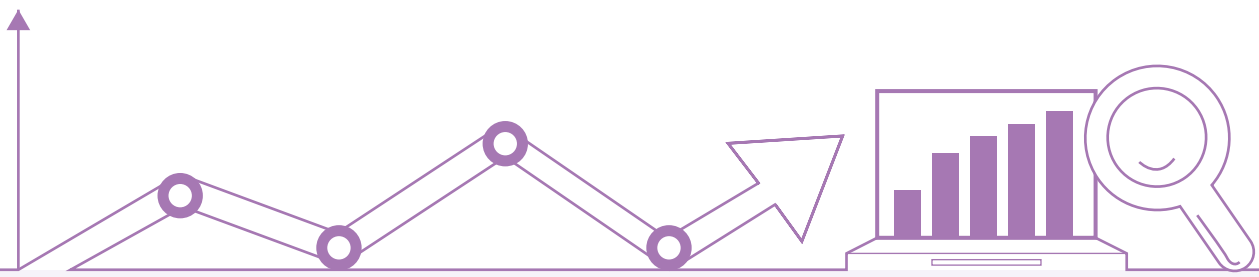
6. Corporate migration and corporate groups

As a free port with more than 170 years of history, it is not surprising to find that the business cycle in Hong Kong has included a large number of corporate migrations in and out of the area. In general, corporate migration has been influenced by the political atmosphere surrounding Hong Kong, and the economic interaction between Hong Kong and Mainland China. At different stages of its development, different types of company with different backgrounds had migrated in and out of Hong Kong. The outbreak of the Opium War in 1840 led to the inception of modern Hong Kong and the birth of the British consortium. During the early colonial period, British companies landing in Hong Kong gained the first pot of gold.

With the transformation of Hong Kong into a re-export harbour, British companies extended their investment into many major sectors of the economy in Hong Kong, such as shipping, storage, banking, property, hotel and other public utilities, and gradually developed into corporate groups. With its business across all areas of Hong Kong, the British Consortium earned its position as one of the major economic supporting powers in Hong Kong. In particular, after the establishment of the People's Republic of China, the British Consortium lost its substantive investment in the Mainland and had to migrate its business to Hong Kong. Consequently, the number of companies migrating to Hong Kong increased. However, the Cultural Revolution in China affected their confidence

in the future of Hong Kong. Some of them took a pessimistic attitude towards their investment in Hong Kong or even migrated overseas to seek other investment opportunities. This trend was exacerbated from 1988, the result of a combination of a number of factors including the debate arising out of the tougher regulations proposed by the Securities Review Committee in its Hay Davison Report published in May 1988 and the fast-approaching 1997 handover. In the transitional period prior to the handover, British consortia were quick to find strategic solutions for their future developments. Some of them sped up the deployment of internationalisation strategies by relocating their listed companies to overseas or even fully withdrawing from Hong Kong. As a result, these companies became overseas multinational companies in Hong Kong, transferring their profits and assets to overseas to reduce their investment risks in Hong Kong.

The beginning of the 20th century also saw the migration to Hong Kong of companies controlled by overseas Chinese businessmen. At that time, with decades of experience operating in difficult business environments overseas, the overseas Chinese in North America, Australia and South East Asia, with their first pots of gold earned overseas, decided to migrate to Hong Kong for further development. Their investments, in addition to the shipping and property industries, expanded into retail stores, banks, and the pharmaceutical manufacturing and sales sectors.



A number of corporate groups were therefore established. The most well-known examples were the Sincere and Wing On department stores, which migrated from Australia. In the 1930s, Sincere, Wing On, etc. had developed into diversified enterprise groups. They were no doubt among the first modern Chinese enterprise groups in Hong Kong.

Later, companies from Mainland China also migrated to Hong Kong. This wave of corporate migration continued through the first half of the 20th century. Wealthy people with a considerable scale of business continued to establish their businesses in Hong Kong. Some of them followed the development model of starting a business in the trade and shipping industry, then expanding into the property sector. The most famous examples include the Fung Ping Shan family group, Hoi Oi Chow family group, Zoeng Zuk San family group and Fung Hon Chu family group. Others sprung up in the financial industry, for example, Hang Seng Bank, established by Lam Bing Yim, Ho Sin Hang, Leung Chik Wai and Sheng Chun Lin, which was later developed into the largest Chinese-established banking group.

The Chinese-established corporate groups were often tied in with family relationships. One such corporate group was the Chow brothers. Chow Wing Tai, the father of three sons, Chow Siu Kei, Chow Jam Kiu and Chow Coek Fan, was one of the earliest business

immigrants from Mainland China. At the end of the 19th century, the three brothers established their own companies, incorporating insurance, property, shipping and banking companies, amongst others. At the turn of the century, the business managed by the Chows had no doubt reached the size of the modern family consortium. The Chows were one of the first few family controlled corporate groups in Hong Kong.

In the middle of the 20th century, Chinese-established companies migrating from overseas and Mainland China had played a key role in the development of Hong Kong. Particularly, during the Korean War period, entrepreneurs migrating from Shanghai brought a great deal of capital, equipment, technologies, and management talents to Hong Kong, and the number of Chinese-established companies experienced a wave of proliferation. For example, Li & Fung, a company established by Fung Hon Chu in 1906 with its major business in exporting Chinese products, moved its headquarters to Hong Kong in 1949, a move that turned out to be a success. In April 1973, the company was listed on the stock exchange (stock code: 0494) with 113 times oversubscription. In addition, some companies established in South-East Asia migrated to Hong Kong during the 1960s to 1970s, seeking opportunities to further their businesses during Hong Kong's golden development period. Such companies have also grown into corporate groups with the spread of their businesses and expansion.

IV. Analysis of statistics of companies incorporated

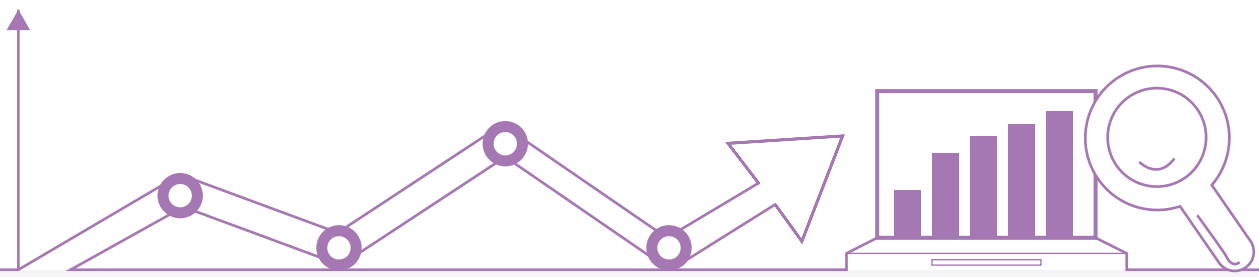
7. Representative examples of companies in the major sectors of the economy in Hong Kong

Trading

Li & Fung is one of the trading companies that migrated to Hong Kong in the first half of the 20th century because of warfare in the Mainland. Founded in Guangzhou in 1906, Li & Fung was the first Chinese-established trading firm to undertake foreign trade in China. Initially, its products were mainly exported to the United States of America. From the 1920s, Li & Fung started to diversify its business through the establishment of craftwork factories, storage, and the purchase of agency rights of other companies. In 1937, the headquarters of Li & Fung in Guangzhou were closed owing to the Japanese occupation. Consequently, Li & Fung moved to Hong Kong and was incorporated as a private company. The migration proved to be a success. In the 1940s



to 1950s, the business of Li & Fung was concentrated on re-exporting, which brought considerable profits to the company. Later, while anchoring its base firmly in the trading industry, Li & Fung progressed to diversifying its business into different areas such as property, storage, shipping and finance. After the listing of the company in 1973, Li & Fung continued to strengthen its traditional business in the trading industry by extending its sales networks to overseas markets. Up till the privatisation of Li & Fung Limited in 1989, it was the fastest growing trading company during that period. The company has changed its name and is now known as Fung Holdings (1937) Limited. In addition to its traditional trading business, it has also established strong market networks in other areas such as retail, wholesale and the property markets. Its subsidiary Li & Fung Limited (a non-Hong Kong company incorporated in Bermuda) was listed on the Hong Kong Stock Exchange in 1992 (stock code: 0494). The company has become a multinational conglomerate driving strong growth in three distinct core businesses: export sourcing through Li & Fung Limited, distribution through Integrated Distribution Services Group Limited, and retailing through Convenience Retail Asia Limited, Trinity Limited and other privately held entities (sources: Feng Bangyan, Xianggang Huazi Caituan (1841-1997) [Chinese-established Consortium in Hong Kong (1841-1997)], Hong Kong: Joint Publishing Press, 1997; and Li & Fung website: <http://www.lifunggroup.com/>).



Banking

By now, the banking sector has become one of the pillar industries in Hong Kong. In addition to HSBC and Hang Seng Bank, Bank of China and Bank of East Asia are two representative examples of the development of the banking sector in Hong Kong.



The Bank of China was formerly known as the Treasury Bank, the first state bank in China. On 14 March 1903, the 30th year of the reign of Emperor Guangxu of the Qing Dynasty, Yi Kuang (a minister of the Qing Dynasty) addressed a petition to the emperor for “opening of the Treasure Bank to promote silver coins”. After over a year of preparation, the Treasure Bank, the first national bank in Chinese history, was established in Beijing in August 1905. In 1906, the Hu Ministry (ministry of finance, taxation and civil affairs) was renamed the Duzhi Ministry (ministry of finance), and in February 1908, the Treasure Bank was renamed the Bank of Great Qing with the function of a central bank. By 1911, the Bank of Great Qing had set up 35 branches in China’s provincial capital cities and port cities, becoming the largest bank in the late Qing Dynasty. On 2 February 1912, the Bank of Great Qing Shanghai Branch closed for liquidation. On 5 February 1912, the Bank of China celebrated

its foundation at No. 3, Hankou Road, Shanghai, the site of the former Bank of Great Qing, and started operation.

The history of the Bank of China in Hong Kong can be traced back to as early as 1917 when a branch of the bank was opened in Hong Kong. This event also marked the entry of state-owned Chinese banks into the then colony’s banking sector. By 1949, when the People’s Republic of China was established, there were branches of 15 state-owned Chinese banks in Hong Kong, plus branches of nine Mainland-incorporated banks that were public-private joint ventures. In addition, the Chinese government established the Po Sang Bank in 1949 and Nanyang Commercial Bank in 1950. Both of these were incorporated in Hong Kong.

IV. Analysis of statistics of companies incorporated

In 1952, the nine public-private banks (Sin Hua Bank Limited, China & South Sea Bank, Kincheng Banking Corporation, China State Bank Limited, The National Commercial Bank Limited, Yien Yieh Commercial Bank, Young Brothers Banking Corporation, Wo Sang Bank and National Industrial Bank of China) were grouped into the Joint Office of Joint Public-Private Banks. The Hong Kong branches of the last three of these nine were closed in 1954 when their parent companies were shut down by the central government, and management of the remaining six public-private banks was transferred to the Hong Kong and Macau Regional Office of the Bank of China in 1958. The Bank of China later took over management of the Hong Kong branches of Kwangtung Provincial Bank, Hua Chiao Commercial Bank Limited and the Bank of Communications.

In June 1975, the Bank of China increased the capital of the public-private banks. As all of the new capital originated from the Chinese government, private ownership in the public-private banks was substantially reduced, in some cases to less than 1%.

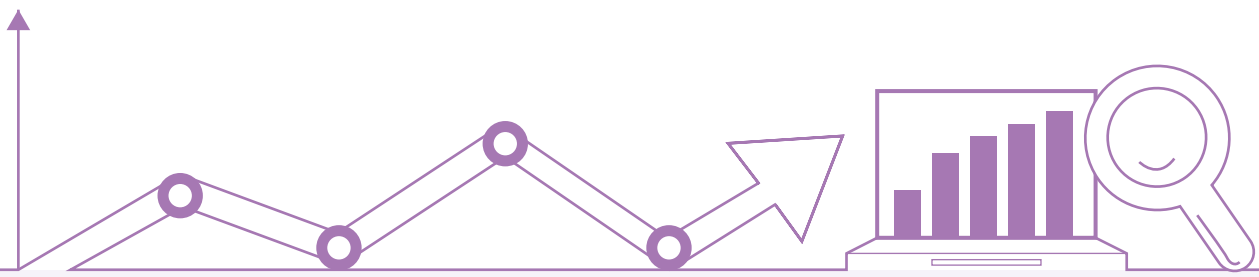
The 14 banks were rebranded as part of the Bank of China Group in the 1980s, after a common IT platform was established. Treasury and foreign currency exchange operations were also centralised. However, the individual banks retained their own management.

The Hong Kong branch of the Bank of Communications broke off from the Bank of China Group in 1998. The Bank of China Group started to restructure its operations in 1999 in preparation for an initial public

offering. All minority shareholders (except those of Chiyu) were bought out by the Bank of China. Formal plans for a restructuring received the approval of the People's Bank of China and were launched in January 2001.

The restructuring saw all operations of the Mainland-incorporated group members merged into Po Sang Bank, which was then immediately renamed Bank of China (Hong Kong) Limited. Hong Kong incorporated Nanyang Commercial Bank and Chiyu Banking Corporation became subsidiaries of Bank of China (Hong Kong) Limited. Legislation was required for the merger, as Hong Kong does not allow mergers via the pooling of interests, a common procedure used in the United States of America. The Bank of China (Hong Kong) Limited (Merger) Ordinance was approved by the Legislative Council of Hong Kong on 12 July 2001, and the merger was completed on 1 October 2001.

Bank of China (Hong Kong) Limited (BOCHK) was incorporated on 1 October 2001 to run as a licensed bank, whilst BOC Hong Kong (Holdings) Limited was incorporated in Hong Kong on 12 September 2001 to hold the entire equity interest in BOCHK. BOC Hong Kong (Holdings) Limited is listed on the Stock Exchange of Hong Kong and as American Depositary Receipts in the United States of America under the symbol BHKLY. BOC Hong Kong (Holdings) Limited is a constituent of the Hang Seng Index. Its listing in July 2002 was the first international stock listing by a Mainland China bank; until that time, other Mainland Chinese bank listings were done in the domestic "A-share" market (source: [http://en.wikipedia.org/wiki/Bank_of_China_\(Hong_Kong\)](http://en.wikipedia.org/wiki/Bank_of_China_(Hong_Kong)) and <http://www.boc.cn>).



The development of the Bank of East Asia reflects another story of the growth of banks with family ties in Hong Kong. The Bank of East Asia was founded in Hong Kong in 1918. Its establishment was supported by the most powerful Chinese merchants at that time, with the influence of people familiar with the operation of western banking. With the backing of Chinese trading firms and business companies, the bank built up an extensive business network in Hong Kong, which helped to consolidate its success later. Early in its development, the Bank of East Asia was dedicated to the establishment of an international network of business agencies. At the end of the 1920s, agents of the Bank of East Asia had extended to China, Japan, the Philippines, Singapore, India, Australia, United Kingdom, France, the United States of America, etc., and subsidiaries had been established in Shanghai, Guangzhou and Saigon. In the local

Hong Kong market, the Bank of East Asia also gained advantages by joining a number of banking associations. By 1935, the Bank of East Asia had developed into the most stable and strong Chinese-established bank in South China. The Japanese occupation led to the takeover of the bank by the Japanese army. After the war, the Bank of East Asia started to reopen its business and re-establish an overseas agency network. Through the adoption of a prudent management policy, the bank kept on expanding stably. In 1965, the bank was ranked as A by the Hong Kong Exchange Banks' Association. The bank is now listed on the Stock Exchange of Hong Kong (stock code: 0023) (source: Feng Bangyan, Xianggang Huazi Caituan (1841-1997) [Chinese-established Consortium in Hong Kong (1841-1997)], Hong Kong: Joint Publishing Press, 1997).

IV. Analysis of statistics of companies incorporated

Equity Market

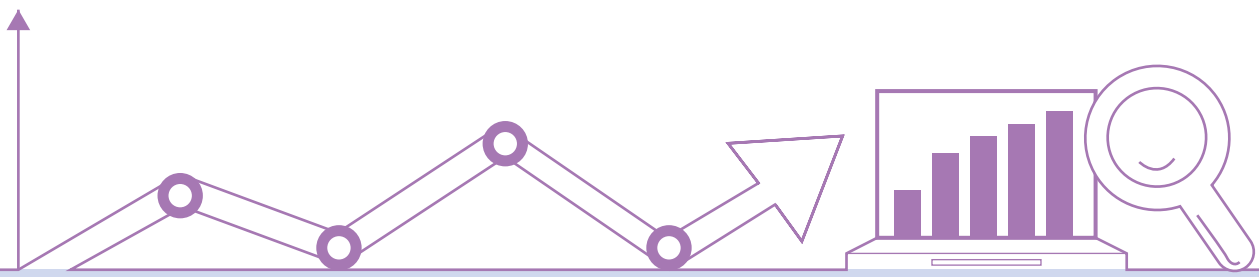
The evolution of Hong Kong Exchanges and Clearing Limited (HKEx) represents the history of the development of the financial market in Hong Kong.

The history of securities exchange began formally in the late 19th century with the first establishment in 1891 of the Association of Stockbrokers in Hong Kong, although informal securities exchanges had been known to take place since 1861. The Association was re-named the Hong Kong Stock Exchange in 1914. This was predominantly the main exchange for Hong Kong, despite co-existing with other exchanges at different points in time. The second exchange, the Hong Kong Stockbrokers' Association, was incorporated in 1921. The two exchanges merged to form the Hong Kong Stock Exchange (HKSE) in 1947 and re-established the stock market after the Second World War. After a series of mergers and acquisitions, HKSE remained the core. From 1947 to 1969, the exchange monopolised the market. The rapid growth of the Hong Kong economy led to the establishment of three other exchanges: the Far East Exchange in 1969, the Kam Ngan Stock Exchange in 1971, and the Kowloon Stock Exchange in 1972.

Pressure to strengthen market regulation and to unify the four exchanges led to the incorporation of The Stock Exchange of Hong Kong Limited in 1980. The four exchanges ceased business on 27 March 1986 and the new exchange commenced trading through a computer-assisted system on

2 April 1986. Prior to the completion of the merger with Hong Kong Futures Exchange Limited (HKFE) in March 2000, the Unified Stock Exchange had 570 participant organisations. HKEx was formed on 6 March 2000 by a merger of its three main constituent companies: the Stock Exchange of Hong Kong Limited (SEHK), and Hong Kong Futures Exchange Limited (HKFE) demutualised and, together with Hong Kong Securities Clearing Company Limited (HKSCC), merged under a single holding company, HKEx. The company itself was listed on its own exchange (stock code: 00388), the HKSE. The Hong Kong Government is the single largest shareholder in HKEx, and has the right to appoint six of the 13 directors to the Board. With a total market capitalisation of over US\$2.633 trillion as of 31 October 2012, the HKEx is ranked fifth in the world by market capitalisation of listed companies (source: HKEx website: <http://www.hkex.com.hk/>).





Property

The New World Development Company Limited, a Hong Kong-based company active in property, infrastructure, services and telecommunications, was established in 1970 by Cheng Yu Tung and Ho Sin Hang. The company has been listed on the Hong Kong Stock Exchange since 1972 (stock code: 00017). In the early stages of its development, the company concentrated its business mainly in the property industry through direct investment and acquisition. For example, in 1973, the company bought a piece of land from Swire Group at a price of 113 million Hong Kong dollars for the construction of the New World Centre. In the same year, the company acquired the Hip Hing Construction Company Limited. In 1975, the company completed the development of City One Shatin. Similar construction projects and acquisitions took place in the following years. Now, New World Development has become a constituent stock of the benchmark Hang Seng Index. After 40 years of operations, the Group has expanded from its original property business to include four core businesses, including property and hotel, infrastructure, service and department stores in Hong Kong, Macau and Mainland China. The Group is also involved in direct investment and a number of other businesses (source: Feng Bangyan, Xianggang Huazi Caituan (1841-1997) [Chinese-established Consortium in Hong Kong (1841-1997)], Hong Kong: Joint Publishing Press, 1997; <http://www.nwd.com.hk/>).

Another representative property company in Hong Kong is the Sun Hung Kai Enterprises Company Limited. In 1963, the company was incorporated by Kwok Tak Seng, Fung King-hei and Lee Shau Kee. Initially, the company, in order to satisfy the need

for multi-storey industrial buildings for small and medium enterprises, adopted the policy of stratified selling by instalment in the development of multi-storey industrial buildings. However, the three major founders of the company decided to split in the early 1970s. Kwok Tak Seng decided to continue his business in the property sector, so Sun Hung Kai Properties Limited was established and publicly listed in 1972 (stock code: 00016). The company's main operation was in property investment. After the listing, the company expanded its business and scale of capital swiftly by issuing new shares and purchasing the shares of other companies. By purchasing the real estates from other businessmen during financial downturns, the company accumulated a number of properties and transformed them into valuable properties in Hong Kong. In 1978, when the economy recovered in Hong Kong, the company sold out its blocks at much higher prices. With its successful operation in the property market, the company became one of the ten largest listed companies in Hong Kong (source: Feng Bangyan, Xianggang Huazi Caituan (1841-1997) [Chinese-established Consortium in Hong Kong (1841-1997)], Hong Kong: Joint Publishing Press, 1997).

