

# Hong Kong - Your Gateway to China

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2006 14<sup>th</sup> Korea Logistics Conference

7 Nov 2006

# Agenda

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- Logistics Development in China
- Port Development
- Airport Development
- Hong Kong Multi-modal Linkage
- Hong Kong's role

# Logistics development in China

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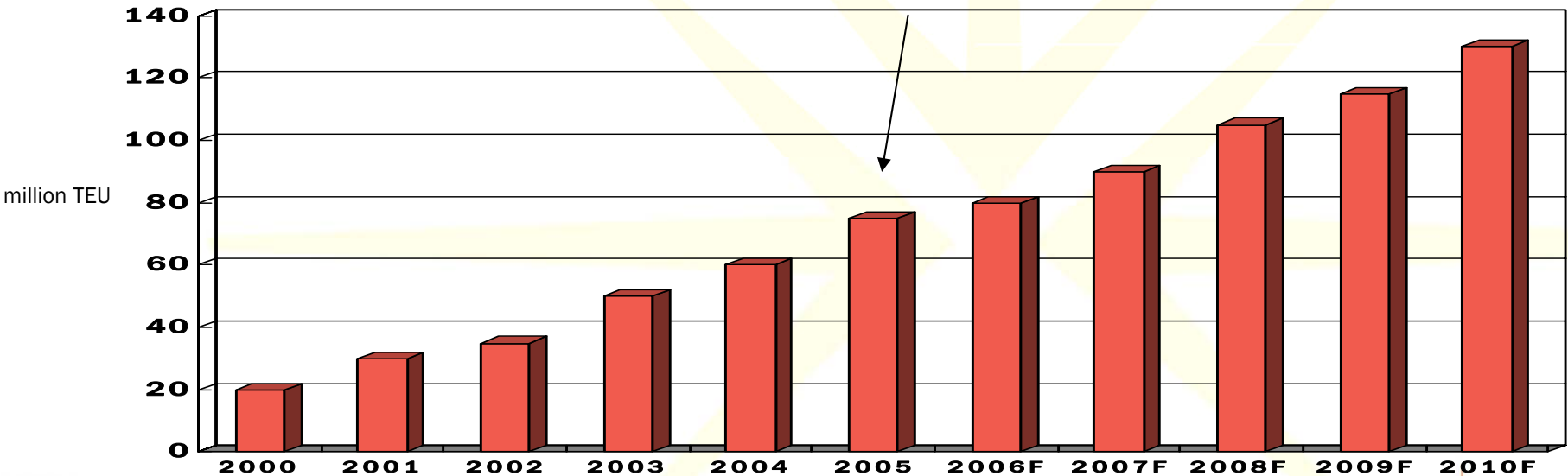
- Since the “open-door” economic reform in 1978, China has emerged as the world’s fastest growing major economy.
- China accounting for more than 4% of world trade and 20 – 25% of global import / export volumes of container traffic
- Latest (11<sup>th</sup> ) Five-Year Plan,
  - First time Logistics identified as a key priority
  - Invested USD18 billion in logistics infrastructure in last 5 years.
  - Targets average annual GDP growth of 7.5% from year 2006 – 2010, with per capita income rising to USD2400.
  - Lower the cost of logistics in China. Currently at least 16% of the overall product costs. (Developed countries: less than 4%)
  - Cutting the cost of distributing goods in China by 2 – 3 % from 21.3% of GDP in 2004.

# Year 2010 Forecast

- China's total container throughput will reach 130m TEUs by 2010, a 12.3% cargo growth over the next five years (2006 - 2010).
- Total turnover in logistics to grow from USD 6 trillion in 2005 to USD 11 trillion in year 2010.

## China's Container Throughput

2005 Actual: 75.64 million TEUs

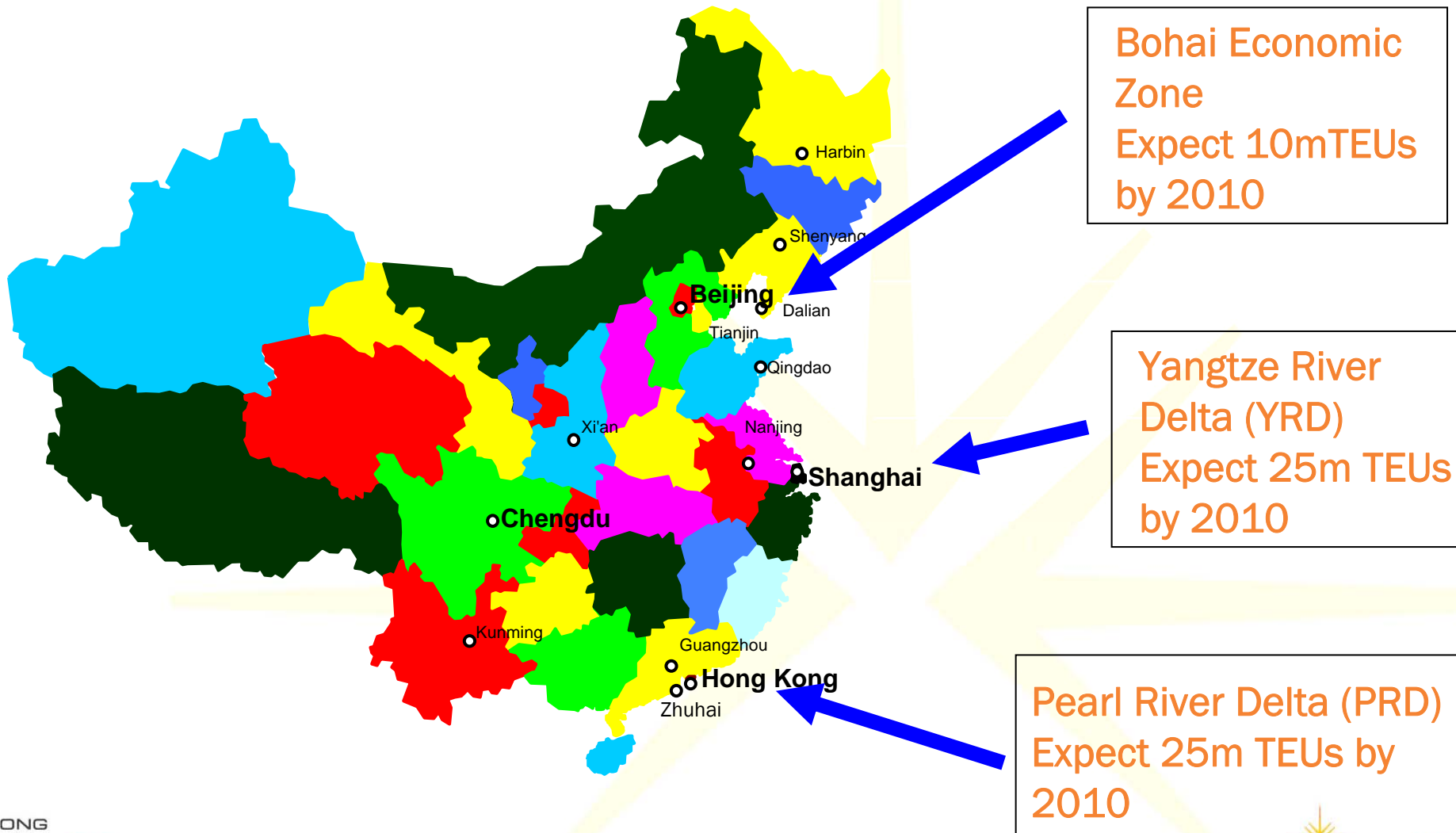


Source: Ministry of Communication forecast

# Trade Flow in China

	Year 2000	Year 2005	5 year growth
Total value of imported and exported of goods (US\$ billion)	474	1,422	+ 199.8%
Total value of Exports of goods (US\$ billion )	249	762	+ 205.8%
Total value of Imports of goods (US\$ billion)	225	660	+ 193.3%

# Three Key Economic zones



Bohai Economic Zone  
Expect 10mTEUs  
by 2010

Yangtze River Delta (YRD)  
Expect 25m TEUs  
by 2010

Pearl River Delta (PRD)  
Expect 25m TEUs by  
2010

# Throughput of China's Major Ports

Million TEUs	Year 2002	Year 2003	Year 2004	Year 2005
Tianjin and Qingdao Port in Buhai Economic Zone	5.8	7.2 (+ 24%)	8.9 (+23.6%)	NA
Waigaoqiao Port in Yangtze River Delta	8.6	11.3 (+31.4%)	14.6 (+29%)	18.1 (+24%)
Yantian, Shekou, Chiwan Port in Pearl River Delta	7.6	10.6 (+39%)	13.6 (+28%)	16.2 (+19%)
Hong Kong	19.14	20.45 (+6.8%)	21.98 (+7.5%)	22.4 (+1.9%)

Source: Ministry of Communication



# Major Ports and Airports in the Pearl River Delta





# Port Development in HK

- 80 per cent of container traffic handled in Hong Kong is related to Southern China
- The port of Hong Kong is also a major hub port in the global supply chain and is served by some 80 international shipping lines with some 500 container liner services per week to over 500 destinations worldwide.
- Every minute of the efficient port operation means a cost saving of US\$139 for a 6,000 TEU container vessel with a daily chartering rate of US\$200,000.
- Maritime Cargo Forecast:
  - South China cargo growth rate = 7.0% p.a. (2002-2020)
  - HK container traffic growth rate = 4.2% p.a. (2002-2020)
  - HK container traffic volume is forecast to reach 40 million TEUs in 2020.
- The Government is still to decide:
  - When it is necessary to build CT10
  - Where it should be located (South West Tsing Yi or North West Lantau)
  - How it would be operated (by common operators or dedicated terminals to shipping lines)





# Port Development in PRD

## Major container terminals in Shenzhen

Container Terminal	No of berths	Max capacity (million TEU)	2005 estimated Throughput (million TEU)
Shekou	7	5.2	4.1
Chiwan Terminal	5	4	3.7
Mawan Terminal	3	2.1	0.8
Dachan Bay	5	2.5	Schedule of operation by end of 2007

Source : Ministry of Communication

# Airport Development in Hong Kong

## Hong Kong International Airport frequency and handling capacity

(capacity vs actual)

	Annual Passenger (m)	Annual Cargo and mail (1000 t)	Frequency per week
Hong Kong International Airport	45* 40.27 (2005)	3,200* 3,433 (2005)	>5,300 (2005)
Guangzhou New Baiyun International Airport	27 21.6 (2004)	800 648.8 (2004)	3,876 (2004)
Shenzhen Baoan International Airport	15 14.25 (2004)	334 423.3 (2004)	2,692 (2004)
Macao International Airport	6 4.25 (2005)	165 227 (2005)	865 (2005)
Zhuhai Airport**	11 0.75 (2004)	600 13.7 (2004)	166 (2004)

\*Hong Kong International Airport ultimate design capacity: 87 million pax and 9 million tonnes of cargo per year

# Airport Development in Guangzhou

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- The new Guangzhou Baiyun International Airport, was formally put into operation on August 5, 2004.
- Covering an area of 15 square kilometers, it has two parallel runways in the first phase of the construction with navigation grade 4E.
- The terminal area was designed to accommodate a projected passenger turnover of 25 million in 2010.
- Covering an area of 320,000 square meters, the first phase of the terminal complex is the biggest in China.
- Airport has set up business relations with 33 airlines and opened more than 110 air routes to over 100 cities able to serve with nearly 30 types of aircraft.
- China Southern Airlines and Shenzhen Airlines are two home carriers of the airport.



# Regional Express Hubs

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## Capacity of Express Courier Hubs in Greater China

Shanghai	UPS	Planned: 200,000 tonnes per annum Operational by 2007
Guangzhou	Fedex	Planned: 24,000 packages / hour Operational by Dec 2008
Hong Kong	DHL	Current: 160,000 tonnes per annum. Expansion works expected to complete in 2007 with handling capacity 700,000 tonnes per annum.



# Hong Kong's multi-modal linkage

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- Cross-boundary transport infrastructures will be implemented.
  - Hong Kong- Shenzhen Western Corridor (expect commissioning in 2007)
  - Sheung Shui to Lok Ma Chau Spur Line (schedule for opening in first half of 2007)
  - The Northern Link ( now being built as part of Spur Line project)
  - Hong Kong –Zhuhai-Macao Bridge ( studying on funding proposal)
  - Guangzhou-Shenzhen-Hong Kong Express Rail Link (integrate with project of Northern Link)
  - Eastern Corridor (joint study group set up by HK and Shenzhen Government)



# Hong Kong's role

- Hong Kong handles 78% of the PRD's imports and exports
- 28% of China's total international trade routed through Hong Kong but even higher percentage is managed from HK.
- Still 90% of river trade business transported by barge to Hong Kong for export due to the efficient customs clearance.
- HK is the world 11<sup>th</sup> largest trading economy with over 110,000 trading companies.
- HK manufacturers operate 60,000 factories and employ over 10m people in the PRD.
- Gateway both to and from China

# Hong Kong as Gateway for Overseas Company to China

- Head office in Korea, Korchina, a Korea logistics company established Korchina Freight Limited in HK since 1994.



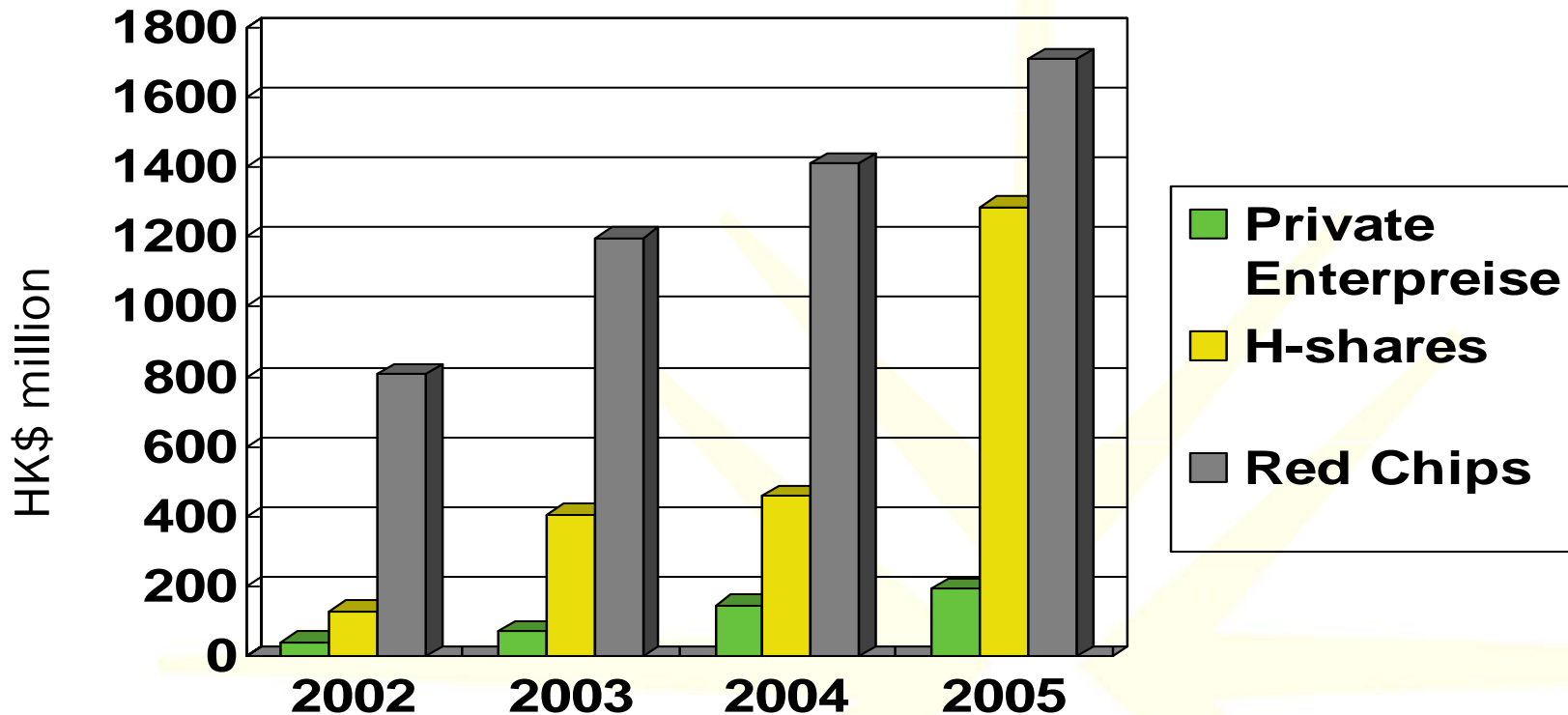
- In 1998 they started up their mainland office in Shenzhen, Shanghai and Qingdao to provide logistics services.

- In 1999, they have their Guangzhou office in operation.

- Since 2001, their China network expanded to Dalian, Xiamen, Ningbo, Yantai, Dongguan, and Beijing.

- Recently their Suzhou office started to operate.

# Hong Kong as Gateway for Mainland Company to go overseas



Hong Kong is the major fund raising centre for Mainland Enterprises

# Hong Kong as Gateway for China Company to go overseas

## Examples for Mainland companies successfully listed in the Hong Kong Stock Exchange

### Maritime:

- COSCO Pacific (HK) Group listed in the HKEX on Dec 1994 and in June 2003, it became a the Hang Seng Index constituent stock in June 2003.
- Sinotrans (HK) Holdings Limited listed in the HKEX on Feb 2003 with DHL and UPS as strategic investors.



### Ports:

- Xiamen International Port listed in the HKEX on Dec 2005, with global public offering of 858 million shares, they raised HK\$1.2 billion.
- Dailian Port, one of the largest container port in Northeast China, was listed in HKEX on April 2006. Oversubscription of 700 times, they raised HK\$1.26 billion.
- With the longest history, Tianjin Port, listed in the HKEX on May 2006, raised HK\$1.09 billion.



### Air:

- HKEX listed mainland airlines: Air China, China Eastern Airlines, China Southern Airlines
- Cathay Pacific bought 10% share of Air China as strategic investor in order to strengthen and expand heir position in HK and Mainland China.





# Partner Organisation for Trade Enquiries



- Promotes Hong Kong as a trade and service platform for international business
- Creates opportunities in trade by:
  - Providing information
    - In person: more than 40 offices worldwide
    - Award-winning Internet trade portal
    - Internal TDC research
  - Matching partners
    - Serving trade enquiries
    - Customised business matching
  - Connecting customers
    - 27 trade fairs annually – 6 best in Asia



# Thank you !

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