



**Jebsen and Company Limited**

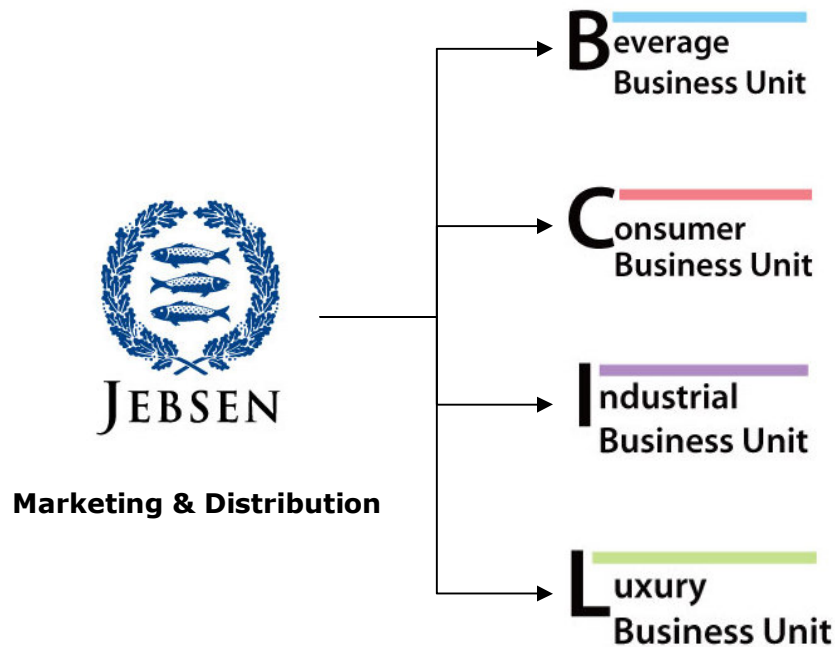
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# **CEPA – The Springboard to China**

**By Mr Helmuth Hennig  
2 December 2009**



# Jebsen and Company Limited



- > 1,800 staff in Hong Kong and China
- 2008 revenue exceeding HK\$ 7 Billion
- Assets exceeding HK\$ 3 Billion
- Family owned

## Corporate Chronology

- 1895
  - o Jebsen & Co established
  - o First agency - BASF (1895 - 1982)
- 1961
  - o One of the last foreign firms to close its China offices, but China trade continued and was overseen from its Hong Kong headquarters
- 1974
  - o Re-established permanent presence in China with the opening of Beijing office
- 1990 – 1994
  - o Establishment of a regional network in Korea, Taiwan and Vietnam
  - o By the mid-1990's, seven representative offices in China has been established
- 1995
  - o Marks the 100<sup>th</sup> anniversary of JCL
- 2004
  - o Establishment of Jebsen & Co (China) Ltd
- 2008
  - o Number of Staff in Mainland China exceeded that in HK & other locations



# Why China access is important?

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## Sizable Market

- ▶ No doubt that China today is already a huge market
- ▶ But more importantly – this market will continue to grow for some time to come



# How large the market is/could be....

2008 Estimated Consumption	Germany			PRC		
	Volumes	Unit	per capita	Volumes	Unit	per capita
<b>Beverages</b>						
Beer - Off-trade (litres)	5,545	m	68	27,509	m	21
Wine - Off-trade (litres)	1,767	m	22	1,485	m	1
	Volumes	Unit	Population/ Volumes	Volumes	Unit	Population/ Volumes
<b><u>Electronic &amp; electrical appliances</u></b>						
Personal computers (units)	11,492	k	7	219,672	k	6
Mobile phones (units)	24,455	k	3	123,220	k	11
Televisions (units)	6,589	k	12	32,976	k	40
Digital cameras (units)	9,088	k	9	11,626	k	114
<b><u>White goods</u></b>						
Refrigeration appliances (units)	3,869	k	21	20,064	k	66
Microwaves (units)	1,972	k	42	10,123	k	131

Source: Euromonitor



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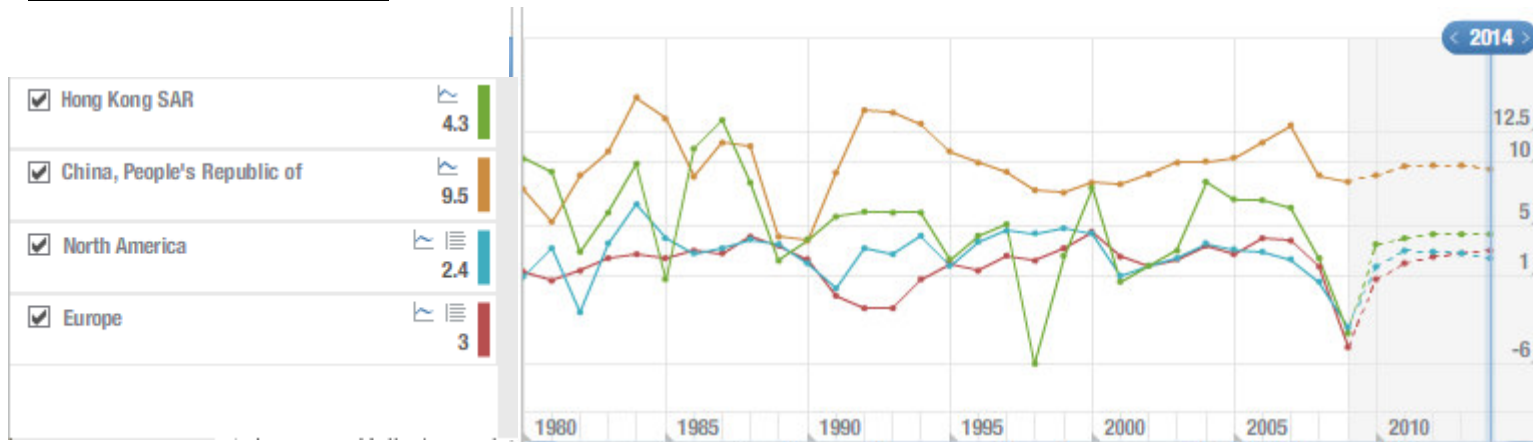
## High Growth

- ▶ China's GDP growth has been rapid over the past years
- ▶ China has replaced Germany as the third largest economy in the world in 2008
- ▶ High growth relative to the ROW is expected to continue

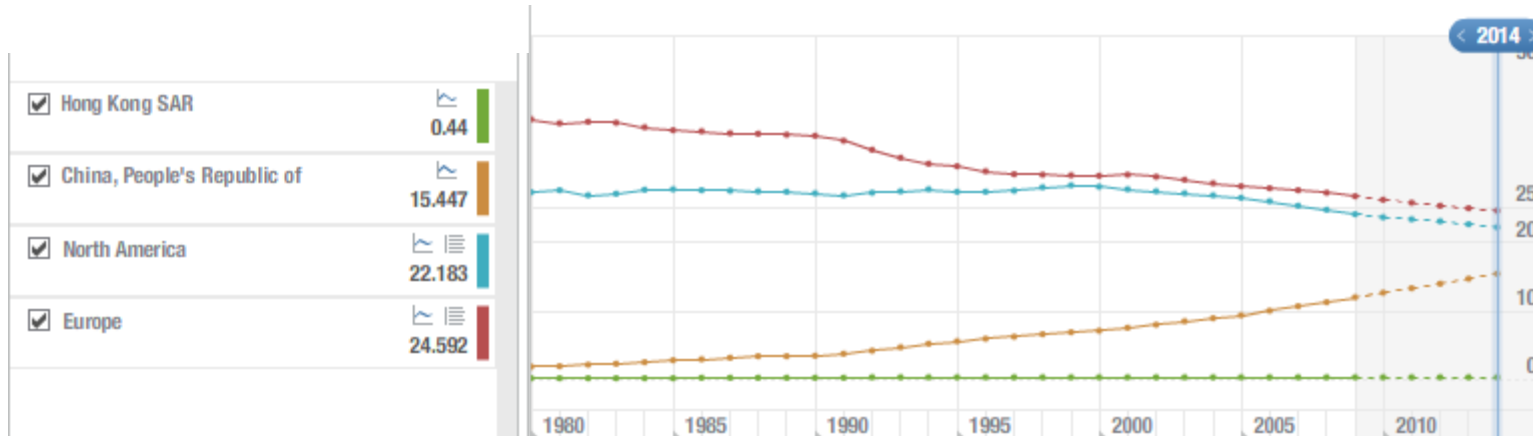


# High growth

## Real GDP Growth



## GDP – Share of World (%)



Source: IMF Data Mapper



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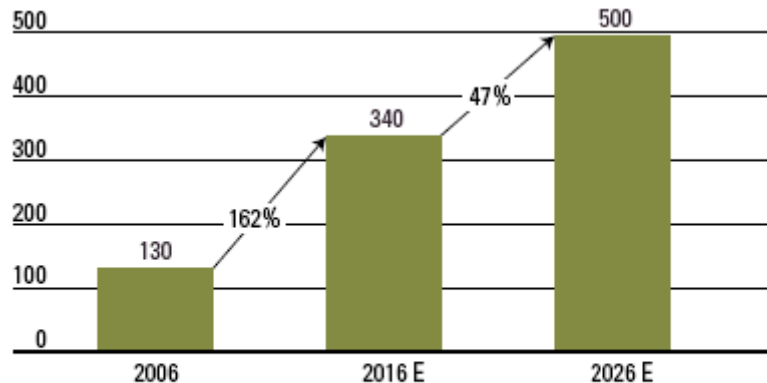
## Growing Middle Class

- ▶ China's middle-class will represent over 50% of the urban households by 2016.
- ▶ Considering its swelling numbers, purchasing power, and trajectory, China's middle-class presents marketing opportunities that companies cannot afford to miss.



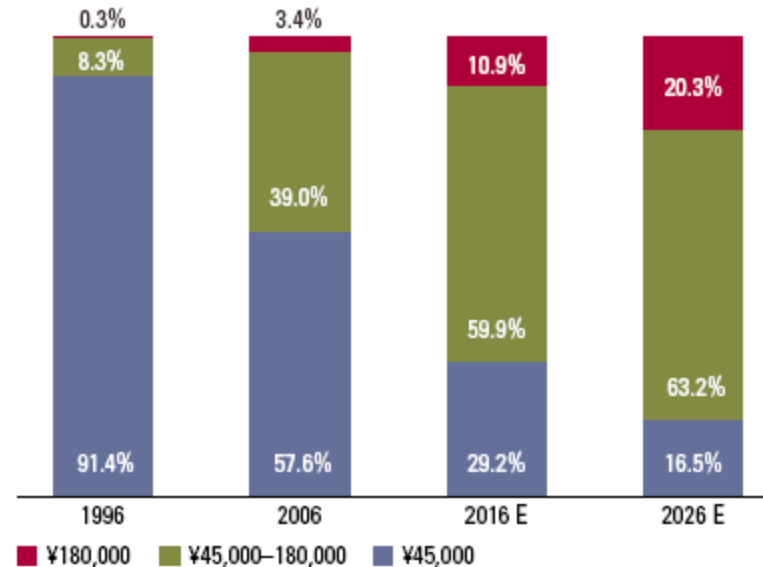
# Growing Middle Class and Income Level

## China Middle Class Consumers (millions)



Note: E = estimate  
 Sources: Global Demographics, PRC State Council Development Research Center (DRC), and Monitor Group

## Urban Household Income in China

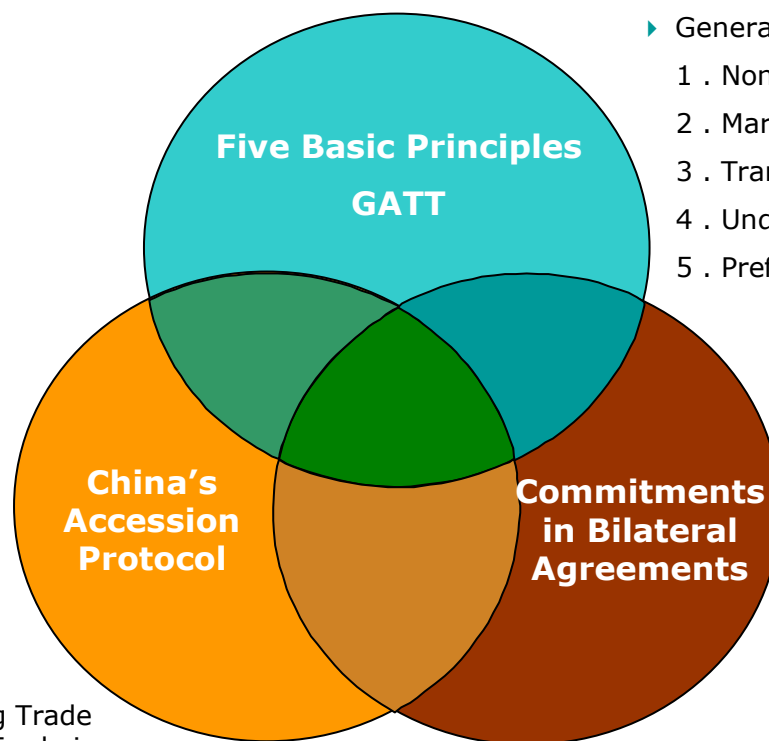


Note: Unadjusted for inflation; E = estimate  
 Sources: PRC National Bureau of Statistics, Monitor, and Global Demographics

Source: China Business Review, Jan/Feb 2009

# China's accession to the WTO in 2001

## Three Tiers of Commitments



- ▶ General Agreements on Tariffs and Trade:
  - 1 . Non-discrimination (MFN) Principle
  - 2 . Market Opening
  - 3 . Transparency and predictability
  - 4 . Undistorted trade
  - 5 . Preferential treatment for development countries

- ▶ Commitments Governing Trade in Specific Sectors, e.g Trade in Goods/Services, IPR

Trade  
Liberalization



# Closer Economic Partnership Arrangement (CEPA) – since 2004

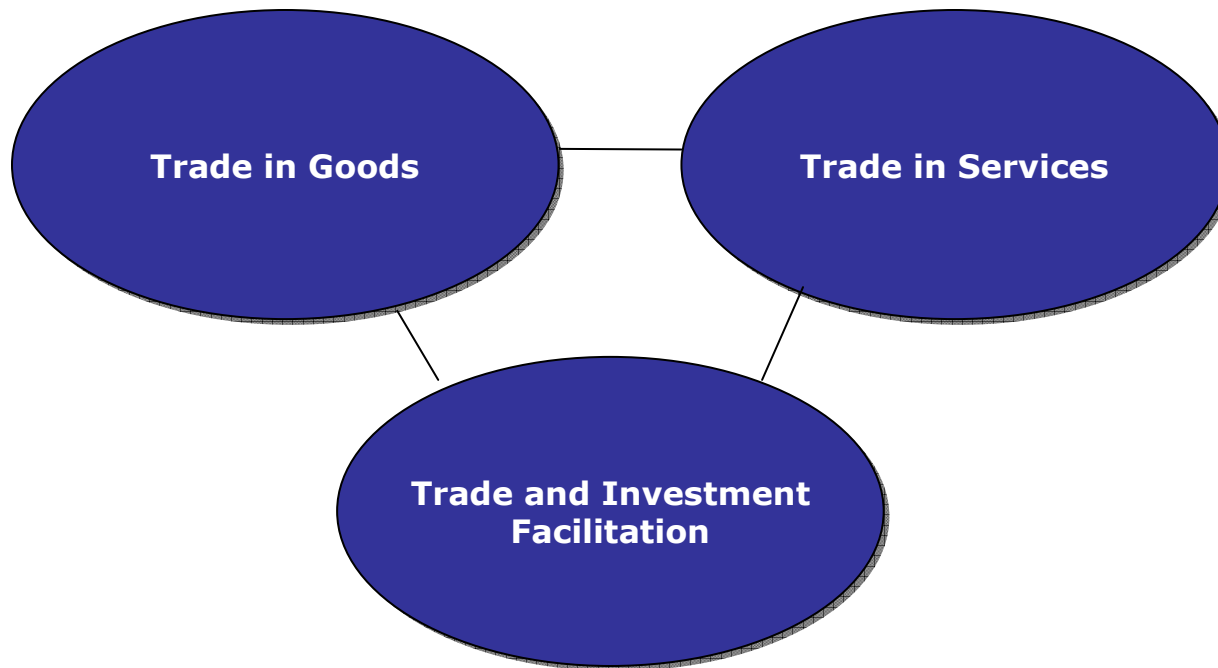
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- ▶ A free trade agreement between Hong Kong and Mainland China
- ▶ Preferential access to China's market from Hong Kong – "Your Springboard to China"
- ▶ Significant China market liberalization
- ▶ Allows earlier implementation/market entry, and goes further than China's WTO commitments
- ▶ **Non-nationality based: -**  
**Any companies can benefit if satisfy "rule or origin" (Goods) or "HK-based rule" (Services)**



# What does CEPA mean?

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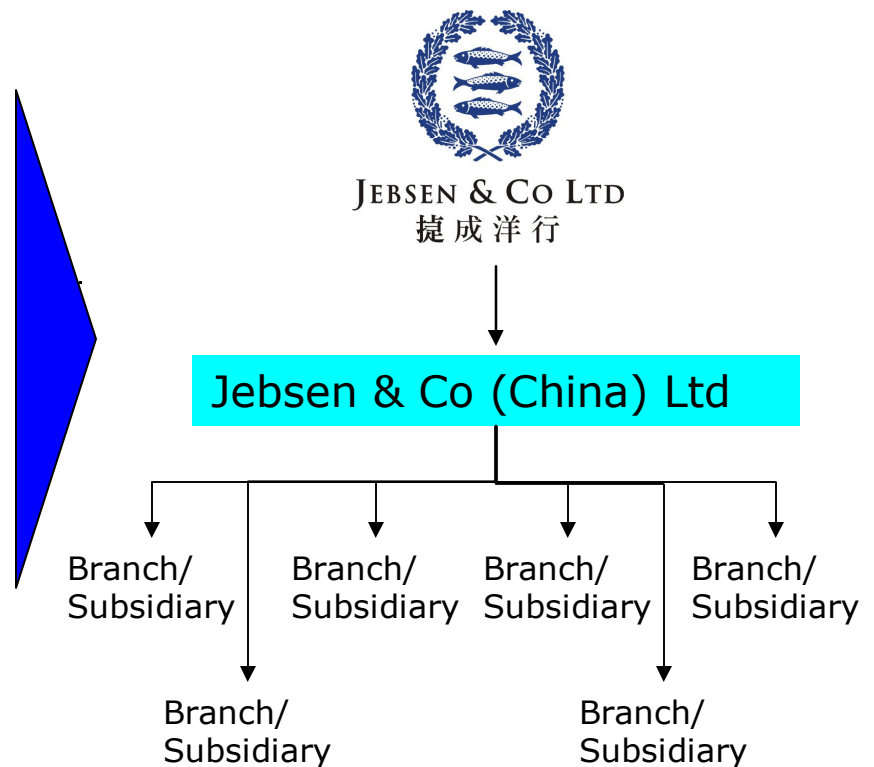


# JCL's interest in CEPA

**A group of small domestic companies and representative offices**



**A fully-fledged WFOE for import and trading of products and services**





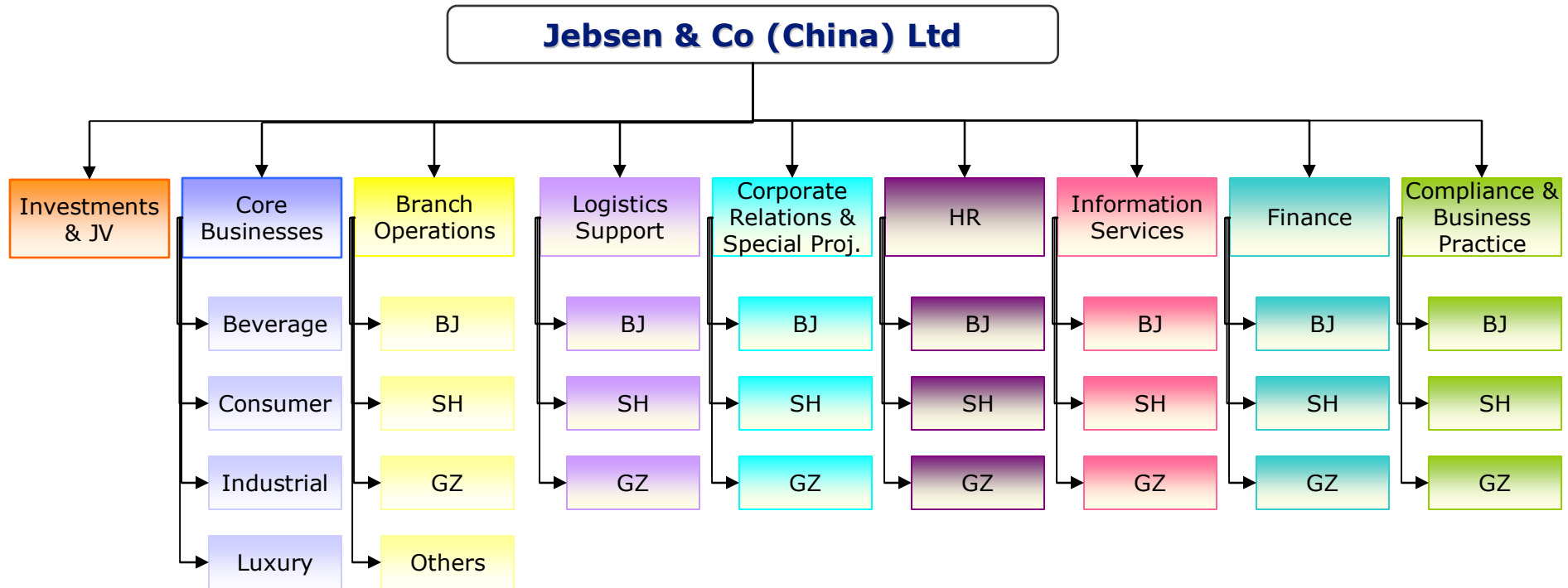
# Jebsen & Co (China) Ltd

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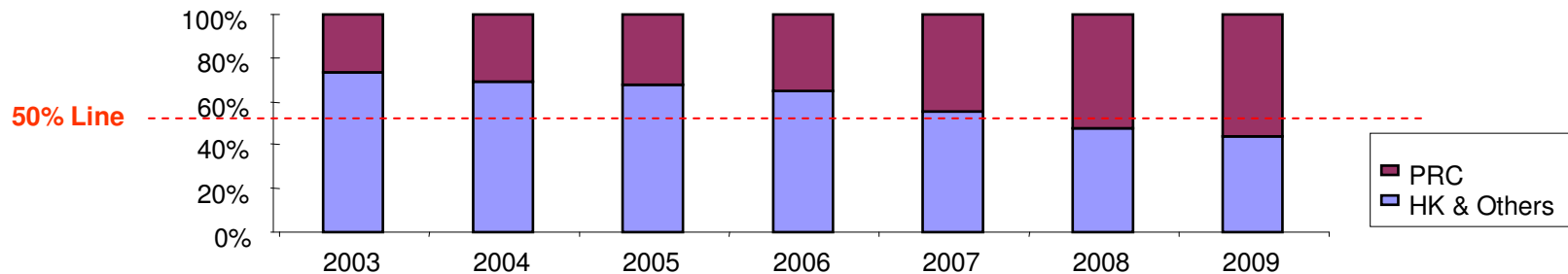
- ▶ In 2004, Jebsen & Co (China) Ltd was founded in Beijing
  
- ▶ Today's Business Scope: Wholesaling, Retailing, Importing and/or Domestic Procurement of –
  - ▶ wine/liquor and other beverages
  - ▶ Porsche vehicles and components
  - ▶ car repairing and aftersales
  - ▶ watches
  - ▶ cameras/optical apparatuses
  - ▶ stationery and gift items
  - ▶ visual-audio equipment
  - ▶ electrical engineering and industrial machinery products
  - ▶ packaging machinery and materials
  - ▶ communication and security systems
  - ▶ chemicals and agricultural medicines/organic fertilizers
  - ▶ spare parts and components
  - ▶ commissioning and agency business
  - ▶ Technical services and consultancy.



# Today's Jebsen and Co (China) Ltd



**The number of staff in PRC exceeded HK & Others' in 2008**





## Our Experience: Benefits

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- ▶ Early market access through WFOE
- ▶ Access to restricted markets
- ▶ Better servicing of customers through:
  - ▶ RMB collection/invoicing
  - ▶ Full scope of service provision: sales, installation, aftersales
  - ▶ Repatriation of profits



## Our Experience: Difficulties

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- ▶ Lack of good understanding of CEPA within China
- ▶ Lack of clear implementation guidelines
- ▶ Slow speed



## Conclusion

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- ▶ Very valuable to Jepsen
- ▶ Poorly understood in HK/PRC and Rest of World
- ▶ Continuing enhancement of CEPA on-going



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# Thank You