

Hong Kong: The gateway to Mainland markets



Hong Kong Economic and
Trade Office (Toronto)

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Hong Kong Special Administrative Region

SAR of the People's Republic of China since 1 July 1997

High degree of autonomy under the “one country, two systems” principle

- Legal system based on common law
- Independent judiciary
- Separate civil service, police force, customs, immigration authority, anti-corruption agency...
- Separate tax system, currency, financial and monetary system...
- Separate membership in international trade bodies (APEC, WTO, WCO, etc)
- Chinese and English as official languages



Strong ties between HKSAR and Mainland China

- Geographical proximity
- Chinese language and culture
- Strong business and trade links
- Deepening economic cooperation
- Cross border infrastructure
- RMB offshore business





*Hong Kong is
strategically
located at the
mouth of the
Pearl River
Delta.*



HK-Zhuhai-Macao Bridge General Layout



The map illustrates the proposed Hong Kong-Zhuhai-Macau Bridge (HZMB) connecting the mainland cities of Zhuhai and Macao to Hong Kong. The bridge is shown as a red dashed line. Major expressways and highways are depicted in blue, while roads under planning or construction are shown in green. The map also highlights the surrounding region, including the Pearl River Delta and the South China Sea.

Legend:

- EXISTING ROAD
- ROAD UNDER PLANNING / CONSTRUCTION

Destinations and Travel Time:

| Destinations | Distance | Travel Time |
|---------------------------|------------|-------------|
| Zhuhai/Macao – HK Airport | Over 200km | About 4 hrs |

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| Zhuhai/Macao – HK Airport | About 42km | About 45 mins (>80% reduction) |

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Guangzhou-Shenzhen-Hong Kong Express Rail Link (XRL) Alignment



Benefits of the new cross border infrastructure

- Further improve connection between Hong Kong and the Mainland
- Facilitate logistics, trading, tourism, retail, convention and exhibition, catering, etc.
- Create a “one hour living circle” between Hong Kong and the Pearl River Delta Region
- Enhance Hong Kong’s status as the southern gateway of China



Economic ties between Hong Kong and the Mainland

- Mainland is Hong Kong's largest trading partner since 1985
- Hong Kong is the Mainland's 2nd largest trading partner (2012)
- Value of goods re-exported through Hong Kong to/from the Mainland amounts to USD 392 billion (2012)
- Mainland is Hong Kong's largest source of inward direct investment (36.3% of total as at end 2011)
- Hong Kong is the Mainland's largest source of realized foreign direct investment (46.3% of the national total as at end 2012)
- 30% of Mainland's trade volume handled through Hong Kong



Hong Kong: Renminbi Offshore Business Centre

Largest liquidity pool of RMB outside the Mainland

- RMB 695 billion of deposits, RMB 162 billion of certificates of deposit, and RMB 110 billion of outstanding loan (end July 2013)

Effective platform for trade settlement

- RMB trade settlement handled by banks in HK: RMB 1,980 billion (Mainland's total: RMB 2,400 billion)

First place outside the Mainland for RMB bond market

- Cumulative total of 297 batches of RMB bond issuance with outstanding amount of RMB 296 billion (as at end Aug 2013)



Access to Mainland markets: Hong Kong's advantages

- Strategically located with proximity to the Pearl River Delta Region
- Rich experience in Mainland markets
- Strong business connections in the Mainland
- Strong cultural and social links with the Mainland
- Easier access to Mainland market with bilateral free trade agreement (CEPA) and tax benefits
- Full support by the Central Government



2012 CEPA宣講會

深化合作・先行先試

Business Forum on CEPA 2012

香港特別行政區政府、國家商務部、廣東省人民政府聯合主辦

by HKSAR Government, Ministry of Commerce of the PRC, and People's Government of Guangdong Province



Closer Economic Partnership Arrangements (CEPA)

- Bilateral free trade agreement between Hong Kong and the Mainland
- Signed in 2003 with ten supplements
- Goods of Hong Kong-origin enjoy zero tariff in entering the Mainland
- Easier access to 48 service sectors



Closer Economic Partnership Arrangements (CEPA)

Information and Communication Technology (ICT)

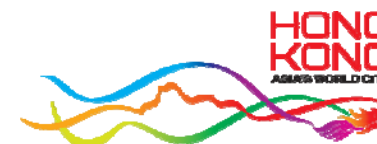
- Hong Kong suppliers may set up wholly-owned companies in the Mainland to provide software implementation and data processing services
- Hong Kong suppliers may establish joint ventures with not more than 50% in shareholding to operate six types of value-added telecommunications services



Closer Economic Partnership Arrangements (CEPA)

Environmental industry

- Hong Kong suppliers may set up wholly-owned companies to provide architectural design services and engineering services, including environmental protection design and engineering services
- Hong Kong suppliers may set up wholly-owned companies to provide other environmental protection services such as sewage, solid waste disposal, waste gas clear-up, noise abatement, nature and landscape protection, etc.



Closer Economic Partnership Agreement (CEPA)

Film Industry

- MOU between Canada and Hong Kong to facilitate film and television co-production
- Hong Kong-Canada co-production of Chinese language films may enter into the Mainland on a quota-free basis subject to certain conditions and requirements



Closer Economic Partnership Agreement (CEPA)

Wine business

- Wines manufactured in Hong Kong enjoy zero tariff in entering the Mainland
- Customs facilitating measures: pre-valuation of wine duty in Hong Kong and shorter customs clearance time at designated Mainland ports

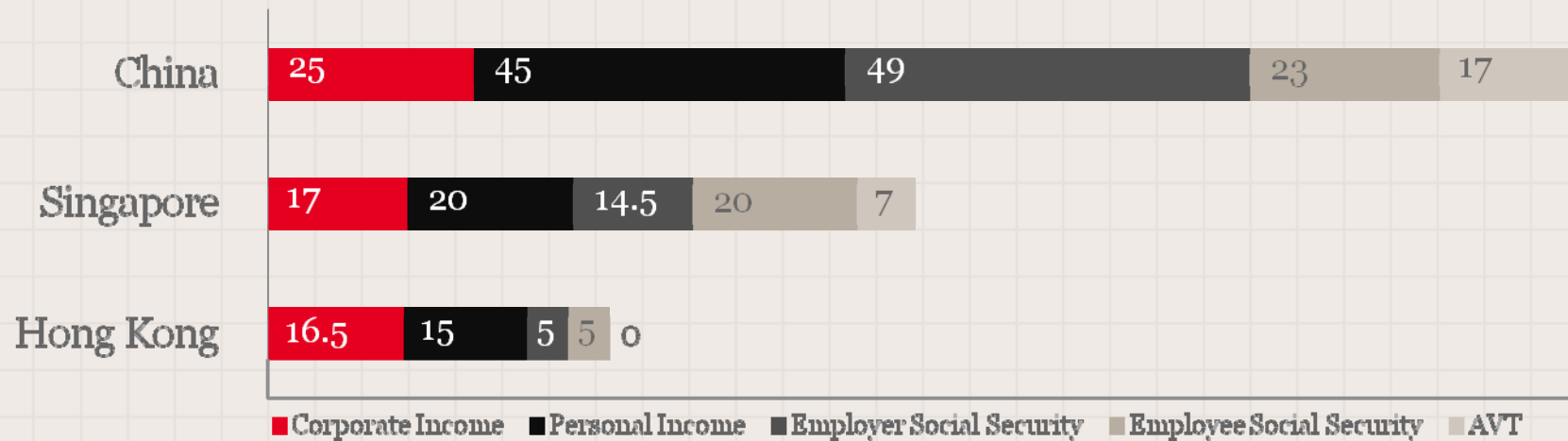


Hong Kong advantages: intellectual property protection and trading

- Robust system for IP protection
- Strong professional IP supporting services: IP valuation, accounting, intelligence, consulting, risk management, financing, enforcement and litigation, etc.
- Regional marketplace for IP activities like copyright trading, licensing and franchising, design services and technology transfer, IP modification
- Effective platform for the export of new technology to the Mainland



Low and Simple Tax System



NO

- VAT/GST/Sales tax
- Capital Gains Tax
- Withholding tax on investments
- Estate duty
- Global taxation
- Wine duty

Hong Kong advantages: tax benefits

Double taxation agreement between Hong Kong and the Mainland allows preferential tax on payment of

- Interest (7% vs 10%)
- Royalties (7% vs 10%)
- Dividends (7% vs 10%)



Hong Kong: an excellent place for business

- Ranked 1st as the world's freest economy by the Heritage Foundation since 1995 and the Fraser Institute since 1970
- Ranked 1st in the World Economic Forum's Financial Development Index 2011
- Ranked 1st as the most open market in the ICC Open Markets Index in December 2011 by the International Chamber of Commerce
- Ranked 1st in the Globalization Index 2010 by Ernst & Young and the Economist Intelligence Unit
- Ranked 1st in IPOs for the last three consecutive years
- Ranked 1st as the most competitive economy by the International Institute for Management Development in 2011
- Ranked 2nd as the easiest place to do business in the world in the 2012 World Bank's Doing Business Report



Hong Kong: ideal platform for business and investment

- 3rd in the world for foreign direct investment (USD 75 billion in 2012), after the US and Mainland China
- 4th in the world for outflow of investment (USD 328 billion in 2012), after the US, Japan, and Mainland China
- 7,250 overseas companies operating in Hong Kong, 3,883 being regional headquarters and regional offices



InvestHK is ready to help

- **Planning:** information and advice on regulation, cost of business model, procedures, etc.
- **Setting up:** connection with relevant government departments and other service providers in HK
- **Launching:** generation of publicity
- **Expansion:** ongoing support for business matching, information on grants and government schemes



Thank you



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