Hong Kong: The gateway to Mainland markets
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

**HZMB Whole Project**
(14km link road + 23km bridge + 7km tunnel + 12km link road)

- **Hong Kong Link Road** (12 km)
- **Zhuhai Link Road** (14 km)
- **Cable Stayed Bridge**
- **Deep Immersed Tunnel**
- **Hong Kong Boundary Crossing Facilities**

30km
14km
12km

Legend:
- Pre-constructed Bridge
- Proposed Bridge
- Proposed Tunnel
- Proposed Bridge Over Navigation Channel
- Proposed Artificial Island for Tunnelling

Guang-Zhu West Expressway
Zhuhai and Macao BCF
Connectivity of HZMB to Major Cities at Pearl River West

<table>
<thead>
<tr>
<th>Destinations</th>
<th>Distance</th>
<th>Travel Time</th>
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<tbody>
<tr>
<td>Zhuhai/Macao – HK Airport</td>
<td>Over 200km</td>
<td>About 4 hrs</td>
</tr>
<tr>
<td>Zhuhai/Macao – HK Airport</td>
<td>About 42km</td>
<td>About 45 mins (&gt;80% reduction)</td>
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Guangzhou-Shenzhen-Hong Kong Express Rail Link (XRL) Alignment

<table>
<thead>
<tr>
<th>Route</th>
<th>Journey</th>
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<tbody>
<tr>
<td>to Futian</td>
<td>30 km</td>
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<tr>
<td>to Guangzhou South</td>
<td>142 km</td>
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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
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

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

China: 25% Corporate Income, 45% Personal Income, 49% Employer Social Security, 23% Employee Social Security, 17% AVT

Singapore: 17% Corporate Income, 20% Personal Income, 14.5% Employer Social Security, 20% Employee Social Security, 7% AVT

Hong Kong: 16.5% Corporate Income, 15% Personal Income, 5% Employer Social Security, 5% Employee Social Security, 0% AVT
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