



Doing Business in Hong Kong and Macau: 2013

Country Commercial Guide for U.S. Companies

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Chapter 1: Doing Business In Hong Kong and Macau

Hong Kong

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Market Overview

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- **Amid a weak, uneven global economic recovery, the Hong Kong economy grew moderately in 2012.** Hong Kong, a Special Administrative Region of the People's Republic of China (PRC) since its reversion in 1997, has proven in past economic crises to be exceptionally resilient. Dominant and sustained drivers of economic growth include private consumption (retail), logistics and business services, real estate development (bolstered by ongoing public infrastructure works), and tourism. Hong Kong has benefited from continued economic integration with mainland China's strong economy. In particular, Beijing's policy of opening its service sector and gradually expanding the scope of the offshore Renminbi (RMB – the PRC's currency) market in Hong Kong and the sustained high numbers of mainland Chinese visitors have strengthened Hong Kong's economy.
- **Hong Kong is an ideal platform for doing business in Asia, especially for mainland China.** Hong Kong is a free port that does not levy any customs tariff and has limited excise duties. Its strong rule of law and respect for property rights make it a strategic platform for U.S. companies, especially small- and medium-sized firms, seeking to do business in Asia. Hong Kong's statutory trade promotion body, the Trade Development Council, seized upon this unique positioning to create the Pacific Bridge Initiative in late-2010, the first such agreement with a foreign government affiliate to explicitly support the U.S. National Export Initiative (NEI). Hong Kong's businesses enjoy close links to mainland China and the rest of Asia. According to Hong Kong Government statistics, there are 1,388 subsidiaries of U.S. parent companies in Hong Kong, making the United States the largest source of subsidiaries in Hong Kong. Among those U.S. subsidiaries, 869 are regional headquarters or regional offices.
- **Hong Kong's key characteristics are its openness, tourism, trade and investment.**
Population: 7.17 million (end-year 2012).
Visitors: 48.6 million (2012).
GDP Per Capita: US\$36,557 (2012).

GDP Growth: 1.4 percent (2012).

Trade to GDP Ratio: 360 percent (2012).

U.S. Exports: US\$37.5 billion (2012).

Major Trading Partners: mainland China, United States, EU, Japan, and Taiwan.

Key characteristics: World-class infrastructure; free flow of information; no restrictions on inward or outward investment; no foreign exchange controls; no nationality restrictions on corporate or sectoral ownership; simple, low-tax regime; and world financial hub.

- **Hong Kong is a Special Administrative Region of China:** Hong Kong enjoys a high degree of autonomy, except in foreign affairs and defense. It has its own common law legal system (as distinct from the PRC), currency, and customs jurisdiction. There are numerous business opportunities given Hong Kong's expertise in finance and marketing, sophisticated infrastructure, and access to mainland China's manufacturing base. A majority of Hong Kong manufacturers have moved production to South China's Pearl River Delta (PRD), with Hong Kong functioning as the region's services and trade hub. Mainland China is Hong Kong's largest trading partner.
- **Hong Kong enjoys gradually growing preferential access to the mainland:** The Closer Economic Partnership Arrangement (CEPA) offers Hong Kong's products and firms preferential access to the mainland's market. CEPA goes beyond China's World Trade Organization (WTO) commitments, eliminating tariffs and allowing earlier or preferential access to some services sectors. Overseas companies can also benefit from CEPA. For trade in goods, foreign investors can set up production lines in Hong Kong to produce goods that meet the CEPA rules of origin requirements. For trade in services, companies incorporated in Hong Kong by foreign investors can make use of CEPA as long as they satisfy eligibility criteria of a "Hong Kong Service Supplier" (for example, they must be engaged in business operation in Hong Kong for three to five years) or by partnering with or acquiring a CEPA-qualified company.

Market Challenges

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- **Increasing competition from the mainland:** Even as integration has given Hong Kong greater market access and growth opportunities, higher costs in Hong Kong have led to a hollowing out of its manufacturing sector. Mainland rivals are becoming more competitive, even in sectors where Hong Kong has long been dominant, like container port operations, logistics, and related trade and financial services.
- **Foreign firms are bypassing Hong Kong:** The trend of foreign firms heading directly to the mainland was accelerated by China's 2001 admission to the WTO. Companies that go directly to China without sufficient due diligence, however, often face higher costs and longer delays than if they had first engaged a Hong Kong-based intermediary.

- **Excellent prospects for U.S. suppliers:** Leading export sectors for U.S. firms include electronic components, medical equipment and pharmaceuticals, environmental technologies and services, aviation and airport equipment, transportation infrastructure, environmental technologies, safety and security equipment, financial services, education and training services, travel and tourism services, retail, and consumer goods such as packaged food, wine, cosmetics, and toiletries.
- **Hong Kong public infrastructure works valued at over US\$16 billion are in various stages of planning or execution:** These include Hong Kong International Airport Expansion Plan, Kai Tak Airport Redevelopment, Tourism Infrastructure and City Improvement, West Kowloon Cultural District, University of Hong Kong Campus Expansion, Ocean Park amusement park enhancement, Harbor Area Treatment Scheme, the Hong Kong-Macau-Zhuhai Bridge, multiple subway and light rail lines, and the Guangzhou-Shenzhen-Hong Kong Express Rail Link. Notably, over 9.9 percent of all Hong Kong Government procurement contracts were awarded to U.S. firms in 2012.
- **Hong Kong-based private procurement:** Hong Kong is home to a large number of procurement agents and purchasing offices. Many purchasing decisions for major projects and conglomerates in Macau, mainland China, or other economies are made in Hong Kong.
- **Pacific Bridge Initiative – another strong reason to look at Hong Kong as a destination and platform:** The Pacific Bridge Initiative (PBI) is a collaboration between the U.S. Commercial Service, the Hong Kong Trade Development Council, and other organizations to support President Obama’s National Export Initiative (NEI), which has the goal of doubling U.S. exports within five years and supporting two million U.S.-based jobs. The PBI was the first-ever collaboration with a foreign statutory trade body to support NEI objectives and has brought additional resources to U.S. exporters interested in selling to, or through, Hong Kong to reach the China or Asian regional markets. More information is available on the PBI Web portal at: www.hktdc.com/mis/pbi/en/Pacific-Bridge-Initiative---US-Hong-Kong-Business-Partnership.html.
- **SelectUSA – Hong Kong serves as a priority market to attract foreign investment to the U.S.:** Established in 2011 by Executive Order of the President, SelectUSA is a government-wide initiative to promote foreign direct investment (FDI) in the United States to create jobs, spur economic growth, and promote American competitiveness. SelectUSA works in partnership with state, regional, and local economic development organizations to promote FDI into the U.S. and works on behalf of the entire nation, exercising strict geographic neutrality. SelectUSA chose 10 pilot markets, including Hong Kong, to initiate the program in 2012, because of the territory’s special role as a commercial and financial hub through which over 60 percent of China’s overseas investment flows. SelectUSA can work with locations in the U.S. interested in attracting FDI and with FDI support service providers (such as consultants, law firms, financial

service providers, etc). For enquiries, please visit www.SelectUSA.gov or contact: (202) 482-6800 / (852) 2521-1467 in Hong Kong.

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- **Hong Kong agents and distributors can increase sales of U.S. products in both Hong Kong and mainland China.** Given mainland China's size and diversity, it is usually advantageous to work with different agents for different regions of mainland China. Hong Kong-based agents and distributors usually include Macau and Southern China in their coverage territory, and often have networks to other major regions in mainland China.
- **Hong Kong firms are eager to work with serious exporters.** U.S. firms can show commitment to success in this market by using metric measurements, providing Chinese-language materials, responding quickly to inquiries, meeting relevant standards, and visiting the market for first-hand understanding and relationship building.
- **Companies considering entering this market should understand Hong Kong's fast-paced business climate.** Decisions are made quickly. Firms must respond immediately to inquiries or risk losing opportunities to faster-moving competitors.

Macau

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Market Overview

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- **Macau is also a Special Administrative Region of China that shares many structural similarities with its close neighbor Hong Kong, yet offers U.S. suppliers a market with distinct characteristics and opportunities.** In this Guide, Macau is treated under each chapter following Hong Kong, with emphasis placed on those areas where the business climate diverges.
- **Macau enjoys significant autonomy:** Formerly a Portuguese colony, Macau became a Special Administrative Region (SAR) of the People's Republic of China (PRC) upon reversion to China on December 20, 1999. Macau maintains a high degree of autonomy except in foreign affairs and defense, and retains its own currency, laws, and border controls. Macau does not use common law, but uses code law patterned on the Portuguese system.
- **Macau's GDP grew by 9.9 percent in 2012.** Like Hong Kong, Macau is a free port with low taxation. Since liberalizing the gaming industry in 2002, industry

experts calculate that Macau has received US\$9.0 billion in U.S. foreign direct investment in the gaming industry (through 2012), spurring visitors and consumption. Other recent growth areas include finance, insurance, construction, real estate, and retail. Macau's exports include textiles, garments, toys, electronics, and footwear. The main export market is the United States, while imports originate primarily from mainland China and Hong Kong.

- **Macau's huge gaming sector dominates the economy:** Gaming revenues held up well during the recent economic downturn and, mainly due to gaming capacity increases, are expected to increase significantly over the next several years. Taxes on gaming revenues accounted for over 82 percent of the Government of Macau's (GOM) revenues in 2012, generating a significant budget surplus.
- **Macau's Key Characteristics: Rapid growth in tourism and inbound investment.**
Population: 582,000 (end-2012).
Visitors: 28.1 million (2012).
GDP Per Capita: US\$76,490 (2012).
U.S. Exports: US\$460.0 million, 5.2 percent of Macau's imports (2012).
Trading Partners: Mainland China, Hong Kong, Japan, EU, South Korea, Switzerland and United States.
- **Macau enjoys a Closer Economic Partnership Arrangement (CEPA) with mainland China:** Macau's 2003 agreement with mainland China – largely parallel to the arrangement Hong Kong enjoys with the mainland – has enhanced its economic integration with the PRC.

Market Challenges

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- **Gaming and tourism eclipse other sectors:** In 2012, Macau's gross gaming revenue topped US\$38 billion, significantly exceeding the combined revenues of Nevada and Atlantic City combined. However, many U.S. firms are overlooking opportunities in other sectors.
- **Finding local talent can be challenging:** Macau's explosive growth has led to stiff competition among firms in identifying and retaining high-caliber local managers and staff. This challenge will endure due to Macau's relatively small local population.

Market Opportunities

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- **U.S. exports to Macau:** In 2012, U.S. capital goods, fuel and lubricants, and consumer goods exports rose (in comparison with 2011) by 0.04 percent, 5.8 percent and 1.6 percent, respectively. However, U.S. exports of raw materials and semi-finished products decreased 17.8 percent.
- **Specific U.S. export opportunities:** The recent expansion of Macau's hospitality sector has created demand for food/beverage products and services

and related hospitality consumables. Other opportunities include: gaming equipment; architectural services; energy-efficient lighting, HVAC systems, and “smart building” systems; recreational and sports equipment; security equipment; hotel, restaurant, and resort management training services; computer and financial software; and meetings, incentives, conventions, and exhibitions (MICE) services such as exhibition and event planning.

- **Major projects:** Among the leading private and public projects are the Cotai Strip development, (where Las Vegas Sands added 5,800 additional rooms in three new hotels, and neighboring competitor, Hong Kong-based Galaxy Entertainment and MGM Macau will be adding new facilities), the Pac On (maritime) Terminal; a new Light Rail Transit System; and the Hong Kong-Macau-Zhuhai Bridge.
- **Hengqin Island and Regional Development in Zhuhai, PRC.** Hengqin Island in Zhuhai, adjacent to Macau’s Taipa and Coloane islands, is being developed by several investors who are also currently building projects in Macau. A number of planned projects have been reported in the press, including resorts, hotels, integrated retail and convention centers, luxury villas, education facilities and other services areas in Hengqin and elsewhere in Zhuhai. Notably, these projects will not include gaming facilities. The GOM will relocate the University of Macau to Hengqin Island. With focused planning and support from Beijing, Hengqin could help diversify Macau’s own economy beyond gaming.

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- Macau- and Hong Kong-based agents and distributors can increase sales in Macau. Many major gaming and hotel operators in Macau maintain procurement or purchasing offices in Hong Kong.
- The U.S. Commercial Service Office in Hong Kong provides customized market research and business facilitation services in Macau.
- The American Chamber of Commerce in Macau can provide U.S. newcomers with orientation and various types of member support, including entre to Macau’s leading trade shows.

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COUNTRY FACT SHEET: HONG KONG

PROFILE

Population in 2011 (Millions): 7

ECONOMY

	2009	2010	2011
Nominal GDP (Current Billions \$U.S.)	209	224	244
Nominal GDP Per Capita (Current \$US)	29,917	31,786	34,259
Real GDP Growth Rate (% change)	-2.6	7.1	5.0
Real GDP Growth Rate Per Capita (% change)	-3.1	6.3	4.1
Consumer Prices (% change)	0.59	2.3	5.3
Unemployment (% of labor force)	5.2	4.3	3.4

Economic Mix in 2009: 7.4% All Industries; 1.8% Manufactures; 92.6% Services; .1% Agriculture

FOREIGN MERCHANDISE TRADE (\$US Millions)

	2009	2010	2011
Hong Kong Exports to World	329,422	400,692	455,573
Hong Kong Imports from World	352,241	441,369	510,855
U.S. Exports to Hong Kong	21,051	26,570	36,449
U.S. Imports from Hong Kong	3,571	4,296	4,401
U.S. Trade Balance with Hong Kong	17,480	22,274	32,048
Position in U.S. Trade:			
Rank of Hong Kong in U.S. Exports	13	12	10
Rank of Hong Kong in U.S. Imports	49	45	52
Hong Kong Share (%) of U.S. Exports	2.0	2.1	2.5
Hong Kong Share (%) of U.S. Imports	0.23	0.22	0.20

Principal U.S. Exports to Hong Kong in 2011:

1. Computer & Electronic Products (24.6%)
2. Primary Metal Mfg (17.6%)
3. Miscellaneous Manufactured Commodities (16.3%)
4. Transportation Equipment (9.1%)
5. Chemicals (6.1%)

Principal U.S. Imports from Hong Kong in 2011:

1. Goods Returned (Exports For Canada Only) (29.4%)
2. Miscellaneous Manufactured Commodities (20.1%)
3. Computer & Electronic Products (18.9%)
4. Apparel & Accessories (4.2%)
5. Electrical Equipment, Appliances & Components (3.6%)

FOREIGN DIRECT INVESTMENT

	2009	2010	2011
U.S. FDI in Hong Kong (US \$Millions)	49,685	48,219	52,542
FDI in U.S. by Hong Kong (US \$Millions)	4,236	4,378	4,854

DOING BUSINESS/ECONOMIC FREEDOM RANKINGS

World Bank Doing Business in 2012 Rank: 2 of 185

Heritage/WSJ 2012 Index of Freedom Rank: 1 of 179

Source: Created by USDOC/ITA/OTII-TPIS from many sources: FDI from USDOC, Bureau of Economic Analysis. US Trade from USDOC, Census Bureau, Foreign Trade Division. Hong Kong Trade with World from United Nations where available. National Macroeconom data from IMF/World Bank databases including World Economic Outlook and World Development Indicators. .WORLD and other country aggregates are summaries of available UN COMTRADE, IMF and other data, and coverage varies over time and by source, but typically represents greater than 85 percent of world trade and production. Note: Principal U.S. Exports and Imports Are 3-digit NAICS Categories

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Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

Hong Kong: <http://www.state.gov/r/pa/ei/bgn/2747.htm>

Macau: <http://www.state.gov/r/pa/ei/bgn/7066.htm>

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Using an Agent or Distributor

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Working with agents and distributors in Hong Kong and Macau is very much like working with agents and distributors in the United States. Hong Kong and Macau have no special legislation regarding agents and distributors. Virtually anything to which both sides can agree to and put into a written contract is acceptable and enforceable; this includes restrictions on territory and a grace period for termination of the agreement. U.S. firms should consult local legal counsel when drafting contract terms. Items that are often in contracts include:

- Exclusivity and sales territories – businesses should be careful about granting an exclusive agency too soon or in too large a territory if the agent is to have coverage beyond Hong Kong or Macau;
- Proprietary information – local laws prohibit theft of intellectual property, but prevention of piracy is always less expensive and more effective than post-facto remedial legal action;
- Levels of sales activity – set specific targets and goals the agent or distributor must meet in order to maintain or renew the agreement;
- Duration;
- Payment terms;
- Quality control – inspection – verification;

- Legal jurisdiction – generally, Hong Kong is chosen, but another location sometimes (U.S. or Macau) may be specified; and
- Covenants restricting business activity following cancellation of the contract.

There are many types of agents and distributors in Hong Kong and Macau, ranging from those who simply stock retail stores with standard items to agents who provide sales, engineering and technical support for complex systems. It is common for a single company to deal in a wide variety of products in a particular sector. Agents and trading companies may be less specialized than companies in a large economy like the United States, but the best ones are focused and have contacts in a specific line of business.

Although it may be desirable to identify distributors based in Macau, many Hong Kong distributors are capable of covering Macau.

Establishing an Office

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Hong Kong

Foreign companies are allowed to incorporate their operations, register branches, or set up representative offices freely in Hong Kong with no restriction on ownership. Company directors need not be citizens of, nor reside in, Hong Kong. Reporting requirements are straightforward and not onerous. There is no distinction in law or practice between investment by foreign-controlled companies and those controlled by local interests. There are no disincentives to foreign investment such as limitations on the use or transfer of foreign currency, or any system of quotas, performance requirements, bonds, deposits, or other restrictive regulations.

To incorporate or register in Hong Kong, a foreign company should first file statutory declarations and submit the necessary documents to the Administration Section of the Companies Registry. Specific information on establishing an office in Hong Kong is available at:

New Companies Section
Companies Registry
14/F, Queensway Government Offices
66 Queensway, Hong Kong
Tel: (852) 2867-2587
Email: crenq@cr.gov.hk
Website: www.cr.gov.hk

Additional information including detailed step-by-step guidance for setting up in Hong Kong can also be found at www.investhk.gov.hk.

Macau

There are no restrictions or constraints for establishing a company in Macau. There are however, regulations that govern various economic activities and specific licenses.

Authorizations are required for certain types of businesses, such as banking, insurance, manufacturing, tourism, civil construction, education and telecommunications. All entities carrying out business activities in Macau must be registered with the Macau Commercial Registration Bureau, and with the Macau Finance Bureau. All legal and administrative procedures apply to all local and foreign individuals or organizations interested in setting up a company in Macau.

A limited liability company by quota in Macau and a branch of a company incorporated outside of Macau are the most common types of business entities operating in Macau. Foreign entities with only one-off or occasional contractual projects in Macau may choose to apply for a tax registration status on a project basis.

Investors may obtain details of the necessary procedures for setting up a business from the Macau Trade and Investment Promotion Institute's private notary, the "One-Stop Service," a public notary, the Macau Commercial Registration Bureau, or a lawyer. Information on the One-Stop Service is available at www.ipim.gov.mo/business_macao_detail.php?tid=496.

Franchising

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Hong Kong's legal framework and high per capita income attracts foreign franchisors looking to sub-franchise. It is relatively easy to set up a foreign franchise operation in Hong Kong as there is no specific legislation governing franchising operations, no foreign exchange controls, and no foreign equity participation or local management participation regulations. Disputes arising from a franchise agreement are subject to common law (and specifically to contract law) and to legislation relating to licensing, protection of intellectual property rights, and registration of trademarks/service marks. In recent years, several U.S. franchises have established relationships with Hong Kong-based firms to develop the mainland China market. See Chapter 4: "Leading Sectors for U.S. Export and Investment" for more information on franchising in Hong Kong.

Direct Marketing

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Direct marketing is now recognized not just as the fastest growing segment of the marketing business, but also the segment that produces the most substantial profits for every business, from financial services to fast moving consumer goods. Direct marketing in Hong Kong has changed significantly over the last decade and is now multichannel and electronic to a large extent.

Transactions via online business-to-business (B2B) marketplaces are increasing at an astonishing rate. Well-known online B2B platforms in Hong Kong include Alibaba and Global Sources.

The direct marketing business environment relies on a highly developed supply chain infrastructure that enables even small firms to sell directly to their consumers with minimal complications. Smaller-scale companies, that do not have an in-house supply chain department, often make use of professional logistics service providers established in Hong Kong.

Regulations regarding direct marketing are primarily centered on customer privacy rights, data security and postal regulations. The Hong Kong Direct Marketing Association (HKDMA, www.hkdma.com) works with regulatory bodies to ensure that regulations do not have an adverse affect on direct marketing users and suppliers.

Hong Kong is the marketing services capital of Asia. The sophistication of the market has attracted a strong presence of multinational agencies and a pool of marketing services talent. A number of multinational PR, marketing, and advertising agencies have regional headquarters in Hong Kong.

Hong Kong's marketing services companies are first-movers in the mainland market. Mainland business has also become an increasing source of income for Hong Kong marketing services companies. The Closer Economic Partnership Arrangement (CEPA) agreement has further facilitated Hong Kong marketing firms' expansion in the mainland market.

Joint Ventures/Licensing

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Joint ventures or strategic alliances can be very useful in helping firms enter the market. They are particularly important when competing for major projects.

Licensing is increasingly common in the field of brand-name product manufacturing and marketing.

There are generally few legal restrictions on Joint Ventures / License arrangements in Hong Kong. See Chapter 6, "Openness to Foreign Investment".

Selling to the Government

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Hong Kong SAR Government Procurement

The Government Logistics Department (GLD) is the central purchasing, storage and supply organization for the Hong Kong Special Administrative Region, serving over 80 government departments and certain non-government public bodies. The GLD normally purchases by open tender, with decisions based on compliance with tender specifications, price competitiveness, back-up service and delivery. The GLD does not give preference to any particular source of supply from any country or organization.

In 2012, GLD spent US\$668.8 million with American products (mostly medical devices, information technology, laboratory instruments, English books and biomedical products) winning approximately 9.9 percent of the total procurement contracts (about US\$66.4 million).

Hong Kong joined the WTO Agreement on Government Procurement in May 1997. Tenders are now covered by the Agreement on Government Procurement of the World Trade Organization (WTO GPA), and a Review Body on Bid Challenges has been set up by the government to handle challenges made against alleged breaches of the WTO

GPA. Tender invitations are published in the Government of the Hong Kong Special Administrative Region Gazette. Tender notices are also published on the Internet in the GLD's web site (www.gld.gov.hk/eng/services_2.htm). Bidders usually have at least three weeks to prepare their offers. Contract awards with the names of successful bidders and contract sums are published monthly in the Government Gazette and on the Internet.

For information about a subscription to the Government of the Hong Kong Special Administrative Region Gazette, contact:

Information Officer
Publications Sales Unit
Information Services Department
Room 626, 6/F, North Point Government Offices
333 Java Road, North Point
Hong Kong
Tel: (852) 2537-1910
Fax: (852) 2523-7195
Email: puborder@isd.gov.hk
Website: www.isd.gov.hk/eng/publication.htm

The GLD maintains lists of registered suppliers for issuing tender notifications. Any company not currently registered with the GLD wishing to be considered for inclusion in these lists may apply online through the e-Tender Box (ETB) of GLS at www.gldetb.gov.hk. Companies are required to provide basic information about their organization and the goods they offer, such as the business registration certificate, company profile, annual report and product catalogs. The GLD evaluates this information, and those companies that are found acceptable will be included on the lists. The ETB allows GLD-registered suppliers to download tender documents and to submit tender offers and related questions online.

Companies seeking more information on the GLD for inclusion in the GLD supplier lists and general tendering matters are encouraged to contact:

The Suppliers Officer (Supplier Record)
Government Logistics Department
9/F, North Point Government Offices
333 Java Road, North Point
Hong Kong
Tel: (852) 2231-5398
Fax: (852) 2807-2764
Email: hktender@gld.gov.hk
Website: www.gld.gov.hk

While the public procurement market is transparent and generally open to all comers, given its competitive nature and the recourse to national support by many third-country bidders, potential U.S. bidders on projects in Hong Kong (and, even more so, Macau) are encouraged to touch base with Commercial Service Hong Kong (or other Consulate offices) about their interests and the potential to apply for project advocacy support.

Macau SAR Government Procurement

The Macau SAR Government is gradually moving many of its procurement notices and tenders to the Internet. These notices are published in Chinese and Portuguese only.

Public procurement processes in Macau are notably less transparent than those in Hong Kong. Instances of alleged official corruption and/or procedural irregularities have plagued several public projects in recent years. An extended dispute over the tender for water treatment services is currently in Macau courts. U.S. firms are encouraged to contact the Commercial Service for counseling and/or formal advocacy support in connection with their public tender interests.

For tender information on Macau SAR Government website, visit:

<http://portal.gov.mo/web/guest/citizen>, click on "Proclamation" on the menu, and click on "Gov. Tender."

Distribution and Sales Channels

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One of the best ways to sell products in Hong Kong and Macau is through the use of agents or distributors. There are many companies across most sectors that can serve as agents or distributors for U.S. firms, and a number of third party logistics providers, specialized warehouses and order fulfillment firms that offer related trade facilitation services. Companies that are looking to sell equipment that requires long-term maintenance, technical support or installation, or that are seeking to become involved in infrastructure projects, frequently partner with local companies.

Furthermore, as discussed in other sections, many Hong Kong (and Macau) firms have established sales networks that expand throughout mainland China.

Selling Factors/Techniques

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The major selling factors in Hong Kong and Macau are the same as in the United States: price, quality, compliance with technical specifications, timeliness of delivery, and service. Initial sales require more face-to-face contact as Asian agents, distributors and buyers generally place a premium on developing personal connections.

Hong Kong firms in particular are keen to work with serious exporters. Firms can show their commitment to successful market entry by using metric measurements, providing Chinese-language materials, responding quickly to inquiries, meeting relevant standards, etc. There is no substitute for visiting Hong Kong and Macau frequently for a first-hand understanding of these very different markets, and to build the necessary personal relationships for success.

Companies considering entering this market should understand Hong Kong's fast-paced business climate. Decisions are made quickly. Firms must respond immediately to inquiries or risk losing opportunities to faster-moving competitors.

Electronic Commerce

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Hong Kong

Hong Kong has maintained its position as one of the world's leading digital cities with PC penetration and Internet usage at a consistently high level. According to the latest government survey conducted during October to December 2010, over 1.8 million households or 77.9 percent of all domestic households in Hong Kong had PCs at home. Among those households with PCs at home, 98 percent had their PCs connected to the Internet, representing 76.4 percent of all domestic households in Hong Kong. Both the percentage of households with PC at home and the percentage of households with their PC at home connected to the internet increased significantly over the past decade, and stabilized in recent years. As compared to the results of the survey conducted in 2000, the percentages of all households had PC at home connected to internet increased from 36.4 percent to 76.4 percent.

IT usage in the business sector has also stabilized in recent years. At the last government survey conducted in 2009, the percentage of businesses using PCs was 63.6 percent, and the percentage of businesses having an Internet connection was 60.6 percent. As compared to the results of the survey conducted in 2001, the percentage of businesses using PCs was 51.5 percent, and the percentage of businesses having an Internet connection was 37.3 percent. Although no further surveys have been conducted since 2009, IT usage in the business sector is continuously on the uptrend.

The Hong Kong SAR Government plays two essential roles in relation to computerization. It acts as a facilitator for building up the necessary infrastructure for the IT industry and it also acts as a user of IT to support its own operational and managerial needs. Government spending on IT has grown from US\$500 million in 2001 to US\$727 million in 2011. Below are some figures concerning computerization in the Government:

Percentage of staff with PC (Dec. 2012)	95.62%
Percentage of staff with Internet access (Dec. 2012)	85.51%
Percentage of staff with internal e-mail access (Dec. 2012)	66.29%

Macau

Macau's internet user penetration rates are amongst the highest in the world at close to 70 percent. As of April 2013, there are approximately 370,000 Internet subscribers, of which over 40 percent are broadband based.

Trade Promotion and Advertising

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U.S. companies can use a variety of promotional vehicles to introduce and raise the visibility of their products and services in the Hong Kong and Macau markets. These include:

- Special trade fairs and exhibitions
- Advertising in the media, Internet and other public relations activities

- Seminars
- In-store promotions
- Joint promotions with wholesale and retail outlets

Hong Kong Exhibitions

Hong Kong is a major conference and exhibition center, with hundreds of international exhibitions held annually. Located in the business district on Hong Kong Island, the Hong Kong Convention and Exhibition Center (HKCEC, www.hkcec.com) is owned by the Hong Kong Trade Development Council (HKTDC) and operated by Hong Kong Convention and Exhibition Center Management Ltd. The HKCEC presently provides total rentable space of 91,500 sqm – 66,000 sqm of purpose-built exhibition space, 20,000 sqm of multi-functional venues and 5,500 sqm of event support space.

AsiaWorld-Expo (www.asiaworld-expo.com) is located next to Hong Kong International Airport. AsiaWorld-Expo offers over 70,000 square meters of exhibition and function space.

Macau Exhibitions

In August 2007, the Venetian Expo Center (www.venetianmacao.com) opened in Macau, adding nearly one million square feet of exhibition space. Macau also boasts the well-established Macau Tower (www.macautower.com.mo) with a regular schedule of events. The Macau Government is keen to develop Macau as a regional MICE (Meetings, Incentives, Conferences, and Exhibitions) hub.

Other Media

Television is a widely viewed medium with an estimated daily audience of 2.4 million households out of a population of 7.2 million people – two domestic free television program service licensees, three domestic pay television program service licensees, 17 non-domestic television program service licensees. One government funded public service broadcaster and four sound broadcasting licensees. Hong Kong Television also reaches Macau and much of neighboring Guangdong Province in mainland China, where Hong Kong programming is very popular.

Hong Kong is one of the largest centers in the world for Chinese-language publications. Hong Kong produces 701 publications, including 50 daily newspapers (24 Chinese, 13 English, eight bilingual, five Japanese), and 651 periodicals. Advertising agencies, including many international firms, offer a full range of services in Hong Kong.

English Newspapers:

International Herald Tribune: www.ihf.com
 South China Morning Post: www.scmp.com
 The Standard: www.thestandard.com.hk
 Wall Street Journal Asia: www.wsj-asia.com
 Macau Post Daily: www.macaupostdaily.com
 Macau Daily Times: www.macaudailytimes.com.mo

Chinese Newspapers:

Apple Daily: www.appledaily.atnext.com

Hong Kong Economic Journal: www.hkej.com
Hong Kong Economic Times: www.hket.com
Ming Pao Daily News: www.mingpao.com
Oriental Daily News: <http://orientaldaily.on.cc/>
Sing Tao Daily: www.singtao.com
Macao Daily: www.macaodaily.com

Trade Journals:

Biz.hk (AmCham Monthly): www.amcham.org.hk/index.php/amcham-magazine.html
Building Journal (Monthly): www.building.com.hk/bjnk.asp
Construction & Contract News (Monthly): www.building.com.hk/ccn.asp
Hong Kong Business: <http://hongkongbusiness.hk/>
Hong Kong Entrepreneur (Monthly): www.cma.org.hk/hke
Hong Kong Industrialist (Monthly): www.industryhk.org/english/fp/fp_hki/fp_hki.php
Macao Image (Semi-annual): www.ipim.gov.mo/publish_list.php?type_id=541
Macao Business (Monthly): www.macaubusiness.com
Macao TradeInvest Information (Bi-monthly):
www.ipim.gov.mo/publish_list.php?type_id=537

Featured U.S. Exporters (FUSE) is a directory of U.S. products featured on U.S. Commercial Service websites around the world. It gives U.S. companies an opportunity to target specific country markets in the local language of business. Currently, listings are offered to qualified U.S. exporters seeking trade leads or representation in over 50 markets around the world including Hong Kong. For detail information please visit: export.gov/hongkong/servicesforu.s.companies/eg_hk_030846.asp

The U.S. Commercial Service can assist a U.S. Company or its local representative to organize a professional, effective promotional event, technical seminar, product/service launch, luncheons, cocktail receptions or matchmaking event tailored to its specific needs through its **Single Company Promotion Program (SCP)**. Please visit http://export.gov/hongkong/servicesforu.s.companies/eg_hk_030853.asp for further information.

Pricing

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Hong Kong is a free port and does not levy a customs tariff or impose a value-added tax. See Chapter 5: "Trade Regulations, Customs and Standards" for more information on import tariffs.

If possible, U.S. exporters should quote using the metric system and use a term of sale specifying delivery to Hong Kong or Macau (i.e. CIF or C&F destination rather than FOB origin). Hong Kong and Macau companies have many sourcing options, so American companies must make it as easy as possible to "buy American."

Sales Service/Customer Support

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Some sort of local presence, whether it is a branch office, an agent, or distributor, is very important in getting established in the market. Doing business in Hong Kong, Macau

(and elsewhere in Asia) requires relationships that can only be developed with a local presence. Prompt responses to inquiries and after-sales service are also crucial to succeeding in this very competitive market.

Protecting Your Intellectual Property

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IPR Climate in Hong Kong and Macau

The best protection for an American company is to make sure that its products are available in the local market in authentic form. Local agents, dealers and partners also have a strong incentive to stop any piracy or counterfeiting and, with good local connections, have a better chance of making that happen than an American company that is not actively participating in the market. In Hong Kong, the chief law enforcement agency for IPR is the Hong Kong Customs and Excise Department, which works closely with affected industries and conducts vigorous anti-piracy and anti-counterfeiting operations. However, protecting copyrights or trademarks takes vigilance. For more information, see Chapter 6: Investment Climate - Protection of Property Rights.

Protecting Your Intellectual Property in Hong Kong and Macau:

Several general principles are important for effective management of intellectual property (“IP”) rights in Hong Kong and Macau. First, it is important to have an overall strategy to protect your IP. Second, IP is protected differently in Hong Kong and Macau than in the U.S. Third, rights must be registered and enforced in Hong Kong and Macau, under local laws. Your U.S. trademark and patent registrations will not protect you in Hong Kong and Macau. There is no such thing as an “international copyright” that will automatically protect an author’s writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in the Hong Kong and Macau market. It is vital that companies understand that intellectual property is primarily a private right and that the US government generally cannot enforce rights for private individuals in Hong Kong and Macau. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Hong Kong and Macau law. List of legal services providers in Hong Kong and Macau is available at http://hongkong.usonsulate.gov/acs_attorneys.html.

While the U.S. Government (USG) stands ready to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable

delay in prosecuting a lawsuit. In no instance should U.S. Government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Hong Kong and Macau require constant attention. Work with legal counsel familiar with Hong Kong and Macau laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both Hong Kong and Macau or U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

IP Resources

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at www.StopFakes.gov.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**.
- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at www.stopfakes.gov.

- For US small and medium-size companies, the Department of Commerce offers a "SME IP Advisory Program" available through the American Bar Association that provides one hour of free IP legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and others. For details and to register, visit: http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: www.StopFakes.gov This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products) and allows you to register for Webinars on protecting IP.
- The U.S. Commerce Department has positioned IP attachés in key markets around the world. You can get contact information for the IP attaché who covers Hong Kong and Macau at: scott.shaw@trade.gov.

Due Diligence

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Knowing your business partner is critical to evaluating any major business deal. In today's business climate, while a company's financial and legal standing are important, issues relating to the company's reputation, history, business ethics, integrity, business acumen, and influence in its business sectors and local environments can all be critical to a successful deal. One key aspect, often misunderstood, is that negative information need not be a deal killer. Such information often offers opportunities to re-negotiate better terms and/or structure deals to mitigate identified risks. The key to due diligence is to do it up front, before any commitments or deals are signed. Unlike mainland China where it is more difficult to gather information, getting information on Hong Kong and Macau entities is relatively easy. There are many service providers that offer investigative due diligence. The U.S. Commercial Service can provide a list of due diligence companies in Hong Kong upon request.

U.S. Commercial Service offers the International Company Profile (ICP) program, which provides credit rating, financial information, key officers and U.S. Commercial Service's overall assessment of your potential business partners. The ICP enables U.S. small and medium-sized businesses to more effectively evaluate overseas companies. For detail information please visit:

http://export.gov/hongkong/servicesforu.s.companies/eg_hk_030848.asp

Local Professional Services

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Hong Kong

Association of Accredited Advertising Agencies of Hong Kong: www.aaaa.com.hk

The Direct Selling Association of Hong Kong Limited: www.hkdsa.org.hk

Hong Kong Designers Association: www.hongkongda.com

Hong Kong Direct Marketing Association: www.hkdma.com

Hong Kong Institute of Marketing: www.hkim.org.hk
Hong Kong Management Association: www.hkma.org.hk
Law Society of Hong Kong: www.hklawsoc.org.hk
Management Consultancies Association of Hong Kong: www.mca.org.hk

Macau

The Macau Small and Medium Enterprises Association: www.sme.org.mo
Macau Lawyers Association: www.informac.gov.mo/aam/default.asp
Macau Fair & Trade Association: www.macauftra.com
Macau Gaming Research Association: www.mgra.org.mo/en

Business Service Providers listing on the U.S. Commercial Service Hong Kong website:
www.export.gov/hongkong/businessserviceproviders/index.asp

Web Resources

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Hong Kong

Hong Kong SAR Government: www.gov.hk
Companies Registry: www.cr.gov.hk
Digital 21 Strategy: www.digital21.gov.hk
Doing Business in Hong Kong: www.gov.hk/en/business/
Government Logistics Department: www.gld.gov.hk
GS1 Hong Kong: www.gs1hk.org
Hong Kong Productivity Council (HKPC): www.hkpc.org
Hong Kong Trade and Industry Department: www.tid.gov.hk
Hong Kong Trade Development Council (HKTDC): www.hktdc.com
Hong Kong Post: www.hongkongpost.gov.hk
Information Services Department: www.isd.gov.hk
Intellectual Property Department of Hong Kong: www.ipd.gov.hk
Invest Hong Kong: www.investhk.gov.hk
Support and Consultation Centre for SMEs (small & medium enterprises):
www.success.tid.gov.hk
Vocational Training Council (VTC): www.vtc.edu.hk

Macau

Macau SAR Government: www.gov.mo
Macau Economic Services: www.economia.gov.mo
Macau Trade and Investment Promotion Institute: www.ipim.gov.mo
Macau Government Tourism Office: www.macaotourism.gov.mo/en
Macao Customs Service: www.customs.gov.mo

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Chapter 4: Leading Sectors for U.S. Export and Investment

Commercial Sectors

- [Computer/Information Technology Equipment \(CPT\)](#)
- [Aviation \(AIR, APG, AVS\)](#)
- [Environmental Technologies \(POL, WRE, REQ\)](#)
- [Safety and Security Equipment \(SEC\)](#)
- [Cosmetics and Toiletries \(COS\)](#)
- [Medical Equipment \(MED\)](#)
- [Film \(FLM\)](#)
- [Education/Training \(EDS\)](#)
- [Travel/Tourism \(TRA\)](#)
- [Franchising \(FRA\)](#)

Agricultural Sectors

Computer/Information Technology Equipment (CPT)

Overview

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Computer / Information Technology Equipment Market Unit: USD thousands

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	2,300,000	2,500,000	2,600,000	2,750,000
Total Local Production	5,221,000	4,732,000	5,055,000	5,451,700
Total Exports	48,639,000	54,723,000	60,195,000	66,215,000
Total Imports	45,718,000	52,491,000	57,740,000	63,514,000
Imports from the U.S.	1,719,000	2,059,000	2,265,000	24,491,000
Exchange Rate: 1 USD	7.8	7.8	7.8	7.8

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources:

Total Local Production: Hong Kong Census and Statistics Department

Total Exports: Hong Kong Census and Statistics Department

Total Imports: Hong Kong Census and Statistics Department

Imports from U.S.: Hong Kong Census and Statistics Department

Hong Kong's IT equipment (computer and parts) imports grew in 2012 by 14.8 percent to US\$52 billion. The value of U.S. IT equipment exports to Hong Kong in 2012 was US\$2 billion, an increase of almost 20 percent increase over 2011, and representing 3.9 percent of Hong Kong's total IT imports.

Although there are no official statistics on software and IT services, Business Monitor International estimated that Hong Kong's software and IT services sectors spent US\$1.36 billion and US\$1.64 billion in 2012, respectively.

Sub-Sector Best Prospects

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For Corporate Users:

- Infrastructure as a Service: Servers, Storage, Networks, and Clients.
- Platform as a Service: Application Development Software, Application Testing Software, Application Deployment Software.
- Software/Applications as a Service: Collaboration, Enterprise Resource Management, Supply Chain Management, Customer Relationship Management, Business Analytics.
- Consulting, Training, Integration Service for end-users of Cloud Services.

For Consumers:

- Netbooks, Notebooks, tablet computers, smart phones,
- 3D computer devices such as 3D monitors, webcams, and digital frames etc.

Hong Kong's total IT spending reached US\$5.4 billion in 2012. Computer hardware, software and service sales recorded were US\$2.4 billion; US\$1.4 billion; and US\$1.6 billion, respectively. Business Monitor International forecast IT spending in Hong Kong will reach US\$5.75 billion in 2013, representing a growth of 5.5 percent from 2012.

This forecast, however, depends on a stable global economic outlook. The performance of mainland China is of particular importance. Regardless of the macroeconomic outlook, the key areas of growth will be in the launch of Windows 8, touchscreen tablets and the mobility trend which will fuel demand to utilize new technologies such as virtualization and cloud computing.

The launch of Microsoft Windows 8 in October 2012 opened a new wave of device innovation in the hardware market. Vendors in Hong Kong were quick to launch a host of PCs, and more importantly tablets to take advantage of the touch functionality of the new operating system. It is expected that more innovation will come from Windows 8 vendors in 2013 and 2014, which will further boost hardware sales.

The growth of the cloud computing market is expected to grow in 2013. Hong Kong offers a high quality network infrastructure to support the uptake of cloud services, while competition between international and local vendors will help increase uptake from end-users by pushing prices down. On the public side, the Hong Kong Government is planning to start building a larger-scale government cloud platform named GovCloud, which will host computing resources for 30 bureaus and departments. The Hong Kong Government has budgeted US\$31 million for building the new system. When the system is operational, the government will migrate cloud-ready systems such as e-procurement, e-information management and e-HR management to the GovCloud.

A survey conducted by Computer World Hong Kong indicated that retail and manufacturing sectors will see an increase in their IT expenses as the rising numbers of Chinese travelers and shoppers are expected to fuel the growth of their businesses.

Although Hong Kong on its own is a relatively small market for U.S. IT exports, U.S. companies should consider Hong Kong as a gateway into the Mainland China market. A substantial amount of IT products imported to Hong Kong is re-exported to China. In 2012, about 70 percent of Hong Kong's total exports of IT equipment (totaling US\$38 billion) went to China.

Major Trade Shows:

International ICT Expo
Dates: April 13-16, 2013
Venue: Hong Kong Convention and Exhibition Center
Website: <http://ictexpo.com>

Associations:

Information and Software Industry Association
Contact: Reggie Wong

Tel: (852) 2622-2867
Fax: (852) 2622-2731
Email: info@isia.org.hk
Website: www.isia.org.hk

Hong Kong Information Technology Federation Ltd.
Contact: Francis Fong, President
Tel: (852) 3101-8197
Fax: (852) 3007-4728
Email: francis.fong@hkitf.org.hk
Website: www.hkitf.org

Hong Kong Wireless Technology Industry Association Ltd.
Contact: To Cheung, Chairman
Tel: (852) 2370-3130
Fax: (852) 8208-8782
Email: contact@hkwtia.org
Website: <http://www.hkwtia.org>

Hong Kong Internet Service Providers Association
Contact: Lento Yip, Chairman
Tel: (852) 28201-1109
Fax: (852) 3011-3108
Email: lento@hkispa.org.hk
Website: www.hkispa.org.hk

ICT Journals in Hong Kong:

- TelecomAsia (www.telecomasia.net)
- ComputerWorld Hong Kong (www.cw.com.hk)
- Hi-Tech Weekly (best-selling Chinese language magazine) (www.hitechweekly.com)

U.S. Commercial Service Hong Kong

Contact: Ms. Fanny Chau, Commercial Service
Tel: (852) 2521-3721
Fax: (852) 2845-9800
Email: fanny.chau@trade.gov
Website: www.export.gov/hongkong

Aviation (AIR, APG, AVS)

Overview

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Aviation (AIR, APG, AVS) Market in Hong Kong Unit: USD thousands

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	1,732,877	2,091,388	1,380,000	1,690,000
Total Local Production	0	0	0	0
Total Exports	331,076	262,112	220,000	210,000
Total Imports	2,063,953	2,353,500	1,600,000	1,900,000
Imports from the U.S.	1,471,215	1,267,980	810,000	1,100,000
Exchange Rate: 1 USD	7.8	7.8	7.8	7.8

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources:

Total Local Production: Hong Kong Census and Statistics Department

Total Exports: Hong Kong Census and Statistics Department

Total Imports: Hong Kong Census and Statistics Department

Imports from U.S.: Hong Kong Census and Statistics Department

Hong Kong's market for aircraft and aircraft parts has shown significant growth in the past few years due to an increase in aircraft movement, passenger numbers and cargo volume. In 2012, Hong Kong International Airport (HKIA) handled 56.5 million passengers, 4.03 million tons of cargo and 352,000 flight movements. Hong Kong, despite being an international hub with over 100 airlines operating extensive flight connections to 180 destinations worldwide (including 45 mainland China cities), has only one airport. As a result, the Airport Authority Hong Kong (AA) is proposing to build a third runway to cope with the expansion of air traffic in Hong Kong.

There are no aircraft, engine, equipment or component manufacturers in Hong Kong; all of these items are imported. Most of the end-users purchase mainly from original equipment manufacturers (OEMs), distributors or the service market. Local aircraft-related distributors, in general, also sell to other markets in Asia, especially mainland China.

There are no barriers to market entry for most products, except defense items. There are also no tariffs on aviation products. Purchase decisions are usually based on quality, price and delivery schedule. However, FAA certificates or the equivalent must be provided for all items. The Airport Authority Hong Kong and government departments (e.g. Government Flying Service, Civil Aviation Department) make purchases through tender selection. For high-value purchases, the Central Government Tender Board makes the selections.

Sub-Sector Best Prospects

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- Air traffic control use simulators
- Consumable aircraft parts and expendable items
- Business jets and related services

- Training for air traffic controllers and maintenance personnel
- Devices to improve aircraft safety management

Opportunities

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With global economic uncertainty and rising operational costs, both legacy airlines and low-cost carriers are outsourcing to Maintenance Repair Overhaul (MRO) operators. Therefore, MRO operators have become major buyers of aircraft parts and ground support equipment.

The major MRO operators in Hong Kong are: Hong Kong Aircraft Engineering Co. Ltd. (HAECO), China Aircraft Services Ltd (CASL), Jet Aviation- Hong Kong and Pan Asia Pacific Aviation Services (PAPAS).

Airframe & Engine MRO in Hong Kong

- **Afr** Airframe Heavy Maintenance
- **Eng** Engine & APU maintenance
- **Com** Component / systems maintenance
- **Avi** Avionics maintenance
- **Rep** Repair services
- **Int** Aircraft interiors MRO
- **Mod** Aircraft modification; pax to freight conversion; winglet installation
- **Hel** Helicopter MRO
- **Line** Aircraft Line Maintenance
- **Bus** Corporate aircraft maintenance

Company	Afr	Eng	Com	Avi	Rep	Int	Mod	Hel	Line	Bus
China Aircraft Services Ltd	Y	Y	Y		Y					
Hong Kong Aero Engine Services Ltd		Y								
Hong Kong Aircraft Engineering Company - HAECO	Y		Y	Y	Y		Y		Y	
Jet Aviation – Hong Kong										
Metrojet Ltd				Y				Y		Y
Pan Asia Pacific Aviation Services – PAPAS									Y	

In addition, market opportunities arising from the building of a third runway with supporting facilities and infrastructure look promising for U.S. firms. Development of this three-runway system will involve the construction of related taxiway systems and airfield facilities, construction of passenger concourses, as well as the expansion of the existing Terminal 2. Potential suppliers should take note of the concern over the environmental impact.

Web Resources

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Trade Shows / Exhibitions / Conferences:

China Aerospace & Aviation Technology Show
 Dates: November 4-8, 2013
 Location: Shanghai, China
 Website: www.abace.aero/2013/

Industry Contacts:

Airport Authority Hong Kong
www.hongkongairport.com

Civil Aviation Department
www.cad.gov.hk

Association of Asia Pacific Airlines
www.aapairlines.org

U.S. Commercial Service Hong Kong

Contact: Ms. Maria Lo, Commercial Specialist
Tel: (852) 2521-1467
Fax: (852) 2845-9800
Email: maria.lo@trade.gov
Website: www.export.gov/hongkong

Environmental Technologies (POL, WRE, REQ)

Overview

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Environmental Technologies Market in Hong Kong Unit: USD thousands

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	235,000	437,000	400,000	400,000
Total Local Production	1,500,000	1,500,000	1,500,000	1,500,000
Total Exports	5,635,000	5,565,000	5,800,000	6,000,000
Total Imports	4,370,000	4,502,000	4,700,000	4,900,000
Imports from the U.S.	597,000	639,000	660,000	690,000
Exchange Rate: 1 USD	7.8	7.8	7.8	7.8

Notes: 1. Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

2. Data Sources:

- Total Local Production: Hong Kong Census & Statistics Department & Industry Sources
- Total Exports: Hong Kong Census & Statistics Department & Industry Sources
- Total Imports: Hong Kong Census & Statistics Department & Industry Sources
- Imports from U.S.: Hong Kong Census & Statistics Department & Industry Sources

Since there is no agreed upon definition of “environmental technologies” and considerable overlap regarding environmental features from various types of machinery and products, market statistics for this sector are, at best, rough approximations.

Environmental technologies for this profile refers to the instruments and apparatus under HS codes: 841583 – air conditioning machines not incorporating a refrigerating unit; 841780 – industrial furnaces including incinerators; 842129 – filtering or purifying machinery and apparatus for liquids; 842139 – industrial use dust collectors and filtering or purifying machinery and apparatus for gases; 8479 – machinery for public works; 8543 – electrical machines and apparatus, having individual functions; 870911 – Electrical vehicles; 871190 – Motorcycles fitted with an auxiliary motor, other than those fitted with reciprocating internal combustion piston engine; 9026 – instruments and apparatus for measuring or checking the flow, level, pressure or other variables of liquids or gases; 9027 – instruments and apparatus for physical or chemical analysis; 9032 – automatic regulating or controlling instruments and apparatus.

Hong Kong relies heavily on imports to satisfy its environmental needs. Total environmental technology imports in 2012 amounted to US\$4.5 billion. United States suppliers are active in the high-end segment, capturing about 14.2 percent of the total import market in 2012. Imports from the United States increased from US\$597 million in 2011 to US\$639 million in 2012, representing a growth rate of more than seven percent.

Hong Kong is also a sourcing agent for environmental products for mainland China, where heavy green tech investments and tightening environmental regulations have emerged as major drivers of the industry regionally, if not globally. In 2012, re-export of environmental

technologies to China through Hong Kong amounted to US\$3.38 billion; accounting for approximately 62 percent of Hong Kong's total environmental technologies re-exports.

The Hong Kong Government has been allocating significant resources toward tackling waste treatment, air pollution, and water pollution problems. Opportunities exist in the thermal and biological treatment of municipal solid waste, water & wastewater treatment, energy efficiency, green building and electric vehicles.

With vigorous IPR protection, and the proximity to and experience in trading with mainland China, Hong Kong is an ideal entry point for U.S. environmental companies (especially small- and medium-sized firms) interested in the China market.

Sub-Sector Best Prospects

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Air:

- Analytical instruments
- Vehicle emissions particulate reduction devices
- Desulphurization / De-nitrification technologies for vehicles and ships

Water/wastewater:

- Desalination technologies
- Water filtration equipment
- Disinfection technologies
- Analytical instruments

Waste Management:

- Incineration technologies
- Biological treatment technologies
- Recycling technologies

Wind Farm Projects:

- Atmospheric data consulting services and instruments
- Wind farm project consulting services
- Wind Turbines

Energy Efficiency:

- Instruments / automatic controls used in monitoring energy usage
- Green building and energy efficiency training service

Opportunities

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Hong Kong has set a target of achieving new air quality objectives by 2020. To achieve this goal, Hong Kong has set emission reduction targets with neighboring Guangdong Province of China and will enact legislation to further tighten the emission caps for power plants for the coming years. The Hong Kong government has set aside funding for franchised bus companies to experiment with electric buses and is subsidizing the testing of electric taxis, coaches and goods vehicles. The government will continue to deploy more electric vehicles and solicit support from public bodies and leading enterprises.

Hong Kong disposes of more than 9,000 tons of municipal solid waste per day. The per-capita municipal solid waste disposal rate per day was 1.27kg in 2011. Owing to landfill shortages, the Hong Kong government has set ambitious targets of reducing this number to 1 kg by 2017 and 0.8 kg by 2022, and will further encourage waste recovery and recycling of resource materials. US\$65 million has been allocated for setting up waste electrical and electronic equipment processing facilities and five community green stations to encourage public participation in waste reduction and recycling. The Hong Kong government is also planning to build two Organic Waste Treatment Facilities (OWTFs) to deal with food waste and an Integrated Waste Management Facility (IWMF) to treat municipal waste. The proposed OWTFs will be able to handle 200 and 300 tons food waste whereas the waste-to-energy IWMF will have a capacity of 3,000 tons per day.

Hong Kong obtains the majority of its fresh water supply from mainland China. To ensure a sustainable water supply, Hong Kong is contemplating the construction of a desalination plant, with a capacity of about 50 million cubic meters per annum.

To develop Hong Kong as a low-carbon city, the Secretary for the Environment is leading an inter-departmental steering committee to promote green building. Since buildings account for 90 percent of Hong Kong's total electricity consumption, the Hong Kong government enacted the Buildings Energy Efficiency Ordinance, which came into effect on September 21, 2012, to promote building energy efficiency. Under this legislation, the air-conditioning, lighting, electrical as well as lift & escalator installations of all new buildings need to comply with the design standards of Hong Kong's Building Energy Code. Furthermore, energy audits for the above mentioned installations are now mandatory for all commercial buildings.

U.S. companies could consider forming consortia to bid for the design and construction for the above major environmental projects, or becoming an equipment supplier / sub-contractor. U.S. energy service and green building consultants, as well as green tech suppliers, could consider taking advantage of this growing market.

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Trade Shows:

Eco Expo Asia

Website: <http://www.hktdc.com/fair/ecoexpoasia-en/>

Description: Organized by the HK Trade Development Council, Messe Frankfurt (HK) Ltd. and the Environmental Bureau, Hong Kong Government, Eco Expo Asia is Hong Kong's international trading platform and showcase for the latest environmental protection technologies.

Macao International Environmental Cooperation Forum & Exhibition (MIECF)

Website: <http://www.macaomiecf.com/>

Description: MIECF is a promising, new international environmental conference and trade fair held in Macao annually. The theme of the event is low carbon living and sustainable urban development in South China. AmCham Macau is a prominent supporter of the show, whose international agent is KoelnMesse.

Trade Associations

Environmental Contractors Management Association

Website: www.ecma.org.hk

Description: Membership is mostly comprised of waste management and janitorial service companies.

Green Council

Website: www.greencouncil.org

Description: The Green Council is a non-profit environmental organization promoting environmental protection.

Hong Kong Environmental Industry Association

Website: www.hkenvia.org

Description: The Hong Kong Environmental Industry Association promotes communication and collaboration among environment-related businesses.

Hong Kong Waste Management Association

Website: www.hongkongwma.org.hk

Description: The Hong Kong Waste Management Association's members consist of organizations or individuals who advise the Hong Kong Government on the city's waste management policies.

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Safety and Security Equipment (SEC)

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Fire and Security Products

Unit: USD thousands

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	1,273,685	1,514,507	1,544,850	1,620,900
Total Local Production	3,894	3,777	3,850	3,900
Total Exports	4,889,924	4,479,950	4,569,500	4,615,000
Total Imports	6,159,715	5,990,680	6,110,500	6,232,000
Imports from the U.S.	644,819	632,298	651,300	670,800
Exchange Rate: 1 USD	7.8	7.8	7.8	7.8

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources:

Total Local Production: Hong Kong Census & Statistics Department

Total Exports: Hong Kong Census & Statistics Department

Total Imports: Hong Kong Census & Statistics Department

Imports from U.S.: Hong Kong Census & Statistics Department

Hong Kong is one of the safest regions in the world, with a low crime rate and strong social order. As a major transportation and logistics hub, Hong Kong will face an increasing demand for safety and security equipment and services, particularly for airport and freight-cargo facilities. Other areas of substantial security equipment outlays include the commercial and financial sectors. Home security systems are becoming increasingly popular and common as well.

The market for safety and security equipment and services is growing and trending towards more sophisticated, high-tech products, an area in which U.S. firms are strong. Japan, Israel, the United States and the European Union are major suppliers for high-tech products, whereas China and Taiwan are market leaders in the lower-end safety and security market.

In neighboring Macau, major security companies continue supplying sizeable integrated security systems and products such as advanced biometric identification systems for international hotels and casino facilities. U.S. sophisticated security system suppliers may consider partnering with Hong Kong security companies to explore the market in Macau.

While Hong Kong possesses one of the freest trade regimes in the world, U.S. exporters should be aware that security products may be subject to U.S. Export Control Regulations and should pursue Hong Kong, Macau and China projects after determining compliance requirements. In particular, exports to China of items determined to be “crime controlled” may be statutorily prohibited.

Sub-Sector Best Prospects

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Alarms and access controls

Biometrics
Chemical detection systems
Detention equipment
Identification devices
Radio frequency wireless technologies
Rescue equipment
Wireless surveillance equipment
X-ray scanners
Video surveillance systems

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In Hong Kong, the primary users of safety and security products are Hong Kong enforcement units such as the Police Force, Customs & Excise Department, Fire Department and Port Control Authorities. For commercial and residential use, there is a steady demand for access control equipment, alarm systems and CCTV surveillance cameras and systems. Fire Protection is another area which currently holds strong market demand—especially for new technology in integrated fire alarm systems.

Macau is an outstanding long-term niche market. U.S. companies wishing to enter the Macau market may consider partnering with related Hong Kong companies that are actively pursuing opportunities in Macau.

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Trade Shows:

Name: **Security Products China Sourcing Fair**

Date: April 12-15, 2013

Location: Hong Kong

English language website: <http://www.globalsources.com/tradeshows/hongkong-security-products.htm>

Description: A sourcing trade show that showcases China-made security products.

Name of event: **Asian Securitex 2014**

Date: June 3-5, 2014

Location: Hong Kong

English language website: <http://www.asiansecuritex.com/C/2.html>

Description: A biannual event in its 13th year, Asian Securitex is a major International Security, Safety and Fire Protection Show & Conference. The most recent show was held in June 2012 and featured the most groundbreaking international security products and technologies, ranging from smartcard technologies, CCTV & remote monitoring control systems, integrated security management systems to rescue & emergency equipment and clothing.

Name of event: **Fire Asia 2015**

Date: February 2015 (To be confirmed)

Location: Hong Kong

English language website: www.fireasia2012.org

Description: The most recent show was held in February 2012. The event is a 3-day conference organized by United Business Media and the Fire Service Department of Hong Kong Government every three years. The conference focuses on exchanging professional knowledge, networking and generating synergy effects for exploring new heights to a safer society. Speakers hailed from the Pan-Asia region, Europe, USA and North America.

Trade Associations:

Asian Professional Security Association

Website: www.apsahk.org

International Professional Security Association (Hong Kong) Ltd.

Website: www.iprsa.com.hk

Security Bureau – Security and Guarding Services Industry Association

www.sb.gov.hk/eng/links/sgsia/index.htm

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Cosmetics and Toiletries (COS)

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Cosmetics and Toiletries

Unit: USD thousands

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	1,546,000	1,728,000	1,918,000	2,149,000
Total Local Production	72,000	81,000	87,000	95,000
Total Exports	1,234,000	1,487,000	1,710,000	2,018,000
Total Imports	2,708,000	3,134,000	3,541,000	4,072,000
Imports from the U.S.	340,000	425,000	510,000	637,000
Exchange Rate: 1 USD	7.8	7.8	7.8	7.8

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources:

Total Local Production: Census of Industrial Production and Industry sources

Total Exports: Hong Kong Trade Statistics

Total Imports: Hong Kong Trade Statistics

Imports from U.S.: Hong Kong Trade Statistics

Imports dominate Hong Kong's large, lucrative and growing market for cosmetics, toiletries, and skincare products. France was Hong Kong's largest supplier of the US\$1.7 billion market in 2012 with a 51 percent market share. China, the U.S. and Japan were the other major suppliers. Hong Kong imported US\$425 million worth of cosmetics, toiletry and skincare products from the U.S. in 2012. Imports of cosmetics, toiletry and skincare products will likely grow at between 13 and 15 percent in 2013 and 2014, given continued robust spending on these products from mainland Chinese visitors to Hong Kong.

Importantly, Hong Kong is also a major launch pad for marketing cosmetics and skincare products in the mainland Chinese market. Hong Kong serves as a showcase for the millions of Chinese tourists (35 million in 2012) that annually visit Hong Kong, often shopping for personal, family or even re-sale use as a primary or sole travel objective. For local retailers and distributors of cosmetics, toiletry and skincare products, increased sales in the next few years are expected to come largely from mainland tourists. While China has reduced import duties on cosmetics and skincare products, thereby reducing the retail price differential between Hong Kong and China, mainland visitors to Hong Kong are still attracted to products in Hong Kong over China. According to industry sources, the perceived authenticity and reliability of the products in Hong Kong often outweighs price as a buying factor. Apart from import tariffs that the Chinese government imposes on cosmetics, there are also VAT and product registration costs which do not exist in Hong Kong, meaning that equivalent products may actually cost less on the Hong Kong side of the border.

There are no import duties on cosmetics, toiletry and skincare products in Hong Kong and registration is not required for cosmetic products. The market is, however, very competitive, with the top ten brands accounting for about 70 percent of the market. Appointing a local distributor and working closely with that distributor to promote the brand, and adapting products to include

whitening ingredients, and modifying the packaging and product sizes to suit local tastes are important to remain competitive. U.S. cosmetic and toiletry suppliers are, however, known for being innovative in product development, and for producing high quality, safe products at competitive prices. Many U.S. brands are market leaders through continuous brand-building activities and advertisements, adaptation of products and competitive pricing.

Hong Kong is an important entrepot for regional trading of cosmetic products, especially for re-exports to China and some Southeast Asian countries. Many U.S. companies sell their cosmetics and skincare products to China through their Hong Kong distributors.

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Products with the best sales prospects in Hong Kong are:

- Complete line of facial whitening and anti-aging products especially those containing Vitamin C
- “Dermo-skincare products” for retail distribution
- Hair coloring products
- Fake eyelashes and eyelash extension products
- Nail colors, nail-care products, artificial nails, nail gels and nail-art
- Body treatments, slimming treatments, massage and bath products for use in spas and professional skincare salons
- Sun protection products
- Skincare, cosmetic and toiletry products made of organically-grown and naturally derived ingredients, also hypo-allergenic, with low concentrations of fragrance and preservatives
- Skincare products for men
- Products for treating acne
- Private labeling /OEM of skincare products and cosmetics for the leading chain stores

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Several international cosmetics brands choose Hong Kong as their first overseas market or for launching new products in Asia citing its open regulatory environment as the attraction. Hong Kong accepts U.S. product labeling and there is no local mandatory labeling or registration requirements on cosmetics.

Demand from tourists accounts for about 30 percent of Hong Kong’s total retail sales of cosmetics, skincare and toiletry products. According to the Hong Kong Tourism Board, about 80 percent of the mainland tourists who visited Hong Kong shop and cosmetic and skincare products were among their top three shopping purchases. The number of mainland tourists in Hong Kong is expected to grow to 48 million by 2015. The moderate drop in the value of the U.S. dollar against the Renminbi in the past five years has also made Hong Kong an even more attractive shopping destination for U.S.-made skincare products and cosmetics as the Hong Kong dollar is pegged to the U.S. dollar. U.S. cosmetic products also enjoy an excellent reputation among the Chinese consumers.

Many of the mega and luxury casino resorts in Macau that have opened in the past few years feature facilities such as spas and skincare treatment centers for the casino and MICE visitors.

Macau received 28 million visitors in 2012 of which 61 percent or 17 million were from China. Chinese visitors to Macau purchase skincare products and cosmetics in the major casino resorts' shopping malls.

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Major trade show: Cosmoprof Asia 2013

www.cosmoprof-asia.com

This is Asia's largest, most comprehensive and international beauty industry trade show featuring equipment, products (skin care, cosmetics, personal care products, nail products, perfumes and toiletries, cosmetic raw materials) packaging, and training services in the beauty industry: hairdressing, spas, beauty and skincare salons. Under the U.S. Department of Commerce's trade fair certification program, U.S. exhibitors at this show receive free market research and can enjoy buyers' matching and counseling services of 15 U.S. Commercial Service offices in the Asia Pacific region and beyond.

The Cosmetic & Perfumery Association of Hong Kong Ltd.

www.cosmetic-perfume.com

A listing of the Association's members comprising contact details of importers, distributors, wholesalers, and retailers is available at this website.

Hong Kong Cosmetic Technical Resources Centre

www.hkctr.com

Provides consultancy on regulatory requirements and assistance with product registrations in Hong Kong and China, technical support on product development, product testing and quality control services, provides customized technical training for cosmetic practitioners, and assistance in setting up laboratories.

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Medical Equipment (MED)

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Medical Equipment Market in Hong Kong

Unit: USD thousands

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	233,000	191,000	210,000	220,000
Total Local Production	230,000	250,000	270,000	270,000
Total Exports	1,787,000	1,812,000	1,830,000	1,900,000
Total Imports	1,790,000	1,753,000	1,770,000	1,850,000
Imports from the U.S.	494,000	418,000	430,000	450,000
Exchange Rate: 1 USD	7.8	7.8	7.8	7.8

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources:

Total Local Production: Hong Kong Census & Statistics Department & Industry Sources

Total Exports: Hong Kong Census & Statistics Department & Industry Sources

Total Imports: Hong Kong Census & Statistics Department & Industry Sources

Imports from U.S.: Hong Kong Census & Statistics Department & Industry Sources

For the purposes of this profile medical equipment, refers to the instruments and apparatus found under HS code 9018, 9019, 9021; breathing appliances under HS code 9020, radiotherapy apparatus under HS code 9022, thermometers under HS code 9025, furniture under HS code 9402, all with applications in medical or dental field.

Hong Kong relies heavily on imports to satisfy its medical equipment needs since the city's medical equipment production is low. Total medical equipment imports in 2012 amounted to US\$1.75 billion, representing a decrease of two percent over 2011. The United States was the market leader in the high-end market segment, capturing about 24 percent of the total import market in 2012, a decrease of four percent of total market share from 2011.

Hong Kong is also a sourcing point for medical products for mainland China. In 2012, transshipment of medical equipment to China through Hong Kong amounted to US\$1.11 billion; accounting for approximately 62 percent of Hong Kong's medical equipment re-exports to all destinations.

Hong Kong's population of 7 million enjoys a comprehensive range of medical and health services delivered by the public and private sectors. On the public side, the Hospital Authority (HA) manages 41 public hospitals and institutions, 47 specialist out-patient clinics, and 74 general out-patient clinics. The rest of the medical service needs are met by Hong Kong's 12 private hospitals and hundreds of private out-patient clinics. The HA is the largest end-user of goods and services in Hong Kong's healthcare sector.

In terms of public healthcare, the Hong Kong Government will allocate additional funding of about US\$350 million to the HA in 2013-14, raising its annual recurrent expenditure to US\$6.3 billion. The HA will add about 150 acute patient beds and 130 convalescent beds in the coming

year. The organization will also explore the option of converting Wong Chuk Hang Hospital into an institution with convalescent and infirmary services. The recently completed North Lantau Hospital will come into operation in phases this year. The expansion of Tseung Kwan O Hospital and the phase two redevelopment of Caritas Medical Centre will also be completed in 2013 and 2014 respectively. The Government is pursuing the construction of Tin Shui Wai Hospital; the expansion and redevelopment of United Christian Hospital; Kwong Wah Hospital and Queen Mary Hospital; and the construction of the new Center of Excellence in Pediatrics. To strengthen care and support for mental patients, the HA plans to use more than US\$1 billion to redevelop Kwai Chung Hospital (a psychiatric hospital). On elderly medical services, the HA will strengthen the treatment of degenerative diseases to meet the demand of an aging population.

As to private healthcare sector development, the Hong Kong Government will explore public-private partnership and study the feasibility of further outsourcing services. In terms of private hospital development, the Hong Kong Government will introduce the disposal of more land for its development.

The Hong Kong Government is also interested in implementing the Health Protection Scheme (HPS) – a health insurance scheme. Currently, a study is underway to analyze the provision of financial incentives and subsidies necessary to encourage people to purchase health insurance, thereby have access to private healthcare services.

The healthcare system of the Macau Special Administrative Region includes specialized and primary healthcare provided by two public hospitals: Hospital Conde de S. Januário and Macau University of Science and Technology Hospital (also known as MUST Hospital), and one private, non-profit hospital, Kiang Wu. One of the best ways for American SME suppliers to sell medical products in the Macau market is through Hong Kong-based agents or distributors, given the relatively smaller size of Macau and the proximity of the two markets. Many of Hong Kong's medical agents/distributors have established networks and excellent relationships with the medical industry in Macau.

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- Apnea Monitors
- Blood Analysis Devices
- Blood Pressure Equipment
- Cardiology Equipment
- Dental Instruments
- Imaging Products
- Joint Replacement Products
- Laser Surgery Equipment
- Physiotherapy equipment

Opportunities

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Hong Kong's public and private healthcare development projects represent outstanding business opportunities for U.S. suppliers of hospital systems, medical devices, laboratory equipment, instruments and hospital supplies.

A working group and a consultative group have been set up to make specific recommendations on the implementation of the Health Protection Scheme (HPS). If HPS moves forward, more people will be encouraged to make use of private medical facilities. Interested hospital developers, designers and equipment suppliers should start to make contacts with the authorities and industry players soon.

In neighboring Macau, every resident enjoys free primary healthcare services. Specialist treatment is also free of charge for 80 percent of public hospital patients. 13 non-profit medical service organizations are subsidized by the Government. 10 billion has been allocated to improve the healthcare system.

Hong Kong's population aged 65 or above is expected to surge from the current 900,000 to 2.1 million by 2030. Macau has a population of 552,300, of which 8 percent (or 44,200) is 65 and above. The rapidly aging population from both cities will need elder care facilities, such as nursing homes and rehabilitation centers, as well as products for the elderly.

The people of Hong Kong and Macau are becoming more health conscious and focused on preventive care, which increasingly includes routine vaccinations, screening for various cancer, high cholesterol, high blood pressure and diabetes, prenatal care and regular wellness visits.

Owing to various government campaigns, the Hong Kong public is becoming more aware of oral health. Cosmetic dentistry has also become very popular in the last several years.

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Trade Shows:

China International Medical Equipment Fair

Website: <http://en.cmef.com.cn/>

Description: The Fair is held twice a year, spring and autumn, in two different cities in China. The exhibition covers a wide array of products, including, medical imaging, diagnosis instruments, electronic devices, medical information technology, first aid and rehabilitation equipment and supplies.

Hong Kong International Medical Devices and Supplies Fair

Website: <http://www.hktdc.com/fair/hkmedicalfair-en/HKTDC-Hong-Kong-International-Medical-Devices-and-Supplies-Fair.html>

Description: The Fair is organized by the Hong Kong Trade Development Council & co-organized by the Hong Kong Medical and Healthcare Device Industries Association (HKMHDIA). The fair showcases a wide variety of medical devices, supplies and concepts.

Associations:

Hong Kong Doctors Union

Website: www.hkdu.org/

Description: Hong Kong Doctors Union is the only trade union for all doctors in Hong Kong. Its primary objective is to safeguard the welfare and rights of doctors.

Hospital Authority

Website: www.ha.org.hk

Description: Established in December 1991, the Hospital Authority is a Hong Kong Government body responsible for managing Hong Kong's public hospitals and clinics.

The Hong Kong Medical Association

Website: <http://www.hkma.org/eindex.htm>

Description: The Hong Kong Medical Association represents the interests of medical practitioners in Hong Kong. With a membership of approximately 8,500, which comprises the majority of registered medical practitioners in Hong Kong, the Association nominates members to serve various medical and related statutory and non-statutory institutions.

The Private Hospitals Association

Website: www.privatehospitals.org.hk

Description: The Hong Kong Private Hospitals Association represents the interests of the 13 private hospitals in Hong Kong.

Macau Health Bureau

Website: www.ssm.gov.mo

Description: The Macau Health Bureau is a public institution established to coordinate the activities between public and private health care organizations and is responsible for specialized and primary health care services, as well as disease prevention and health promotion.

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Film (FLM)

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Hong Kong Top 10 Films in 2012

Rank	Title	Country of Origin	Gross Receipts (US\$ million)
1	The Avengers (2012)	U.S.	12.5
2	The Dark Knight Rises	U.S.	10.4
3	The Amazing Spider-Man	U.S.	8.6
4	MIB 3	U.S.	6.1
5	Life of Pi	U.S.	6.0
6	Cold War	Hong Kong	5.5
7	Les Miserables (2012)	U.S.	5.3
8	Skyfall	U.K.	5.1
9	Ice Age: Continental Drift	U.S.	4.9
10	The Hobbit: An Unexpected Journey	U.S.	4.8

Source: Hong Kong Motion Picture Industry Association

Hong Kong's total box office revenue in 2012 reached US\$200 million, representing a 12 percent increase from 2011. The rise is attributed mainly to record-breaking animated pictures and premium-priced 3D films. 291 films were released in Hong Kong in 2012, with over 75 percent of them being imported from the United States. The highest-grossing films included The Avengers and The Dark Knight Rises. Eight of the ten highest-grossing films in 2012 were imported from the U.S.

There are four key locally owned theater operators in Hong Kong (Broadway, UA, Golden Harvest and MCL). Of Hong Kong's 45 theaters, which are comprised of 199 screens and 34,537 seats, these top 4 theaters account for 75 percent of the theater locations, 86 percent of screens, 79 percent of total seats and 80 percent of total box office performance. Film revenues are expected to increase as new multiplexes and 3D theaters continue to open. Digital distribution is also increasing through programs such as the Direct Cinema Exchange (DCX).

102 film distributors are registered with the Hong Kong Film Services Office. There are several theatrical distribution companies located in Hong Kong who serve as local distributors for the major studios, including Intercontinental Video Limited (exclusive distributor for Walt Disney, Universal and Paramount), Delta Mac (Warner Brothers and Fox), and Era Movies (Sony). Local film distributors include Media Asia, Panasia/Golden Harvest Entertainment, Edko, Newport and Sil-Metropole. Smaller distributors include Golden Scene, Lark Film, Sundream, Applause Pictures, Celestial Pictures, Gala, and Mandarin Film. Distributors have preferential revenue-sharing agreements with both film producers and film exhibitors, and typically advance the up-front costs for marketing and producing 35mm prints or digital copies of the film. Under the Film Censorship Ordinance of 1988, Hong Kong has a three-tier system of film classification. All films must be approved by the Commissioner for Television and Entertainment Licensing before being distributed to the public.

The Hong Kong government has demonstrated support for the film sector with the establishment of the Film Development Council and Create Hong Kong within the Commerce and Economic Bureau. Create Hong Kong is intended to integrate existing policy and funding initiatives across government departments to boost the development of Hong Kong's creative industries. Hong Kong's film sector is also benefiting from the Closer Economic Partnership Arrangement (CEPA) with China where Hong Kong firms in film distribution and production enjoy preferential access to mainland China.

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Opportunities for U.S. firms go beyond the box office to include film production technology, multi-media content, and related services. Best Prospects in Hong Kong and Macau are:

- U.S. independent feature or documentary films and videos that Hong Kong firms can distribute in Asia, especially mainland China;
- Co-productions between U.S. and Hong Kong firms for distribution in China and Asia;
- U.S. technology products used in movie theaters in China and elsewhere in Asia;
- Cooperative agreements with U.S. film education and training institutions;
- U.S. film financing and deal-structuring techniques and services.

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Content Distribution. U.S. exporters should consider selling content licenses to TV stations in the region, as well as to Hong Kong agents for both Hong Kong rights and broader Asia regional rights. For example, The Office of the Telecommunications Authority (OFTA), Hong Kong's telecoms regulator, has granted a license for China Mobile to provide Mobile TV Service in mid-2010. The license requires that China Mobile must use at least 75 percent of its transmission capacity to deliver mobile TV content and extend its service coverage to at least 50% of the city's population within 18 months after the issuance of the license. This presents business opportunities for U.S. companies to sell films and TV programs to the Mobile TV Service Providers. U.S. companies interested in this opportunity should consider producing programs that cater to Hong Kong viewer preferences.

Co-production. Co-production and co-funded projects with Hong Kong companies offer another set of opportunities. With the full implementation of the Closer Economic Partnership Arrangement (CEPA), Hong Kong's position as a center for Asian co-production with international companies was reinforced. Under CEPA, Hong Kong-China co-productions are treated as local productions in China. By cooperating with Hong Kong producers, U.S. firms can enjoy local production treatment for enhanced access to the China market.

Non-cinema production. U.S. film companies should consider Asia's growing market for multi-media properties. Local consumers are keen to see new content and related applications for games, comic books, and mobile phone downloads, in addition to

traditional films and TV programs. In-flight entertainment is also a growing niche that should not be overlooked.

3D Movies. As mentioned earlier, the opening of new 3D cinemas has helped grow box office potential in Hong Kong. Out of the 199 screens in Hong Kong, over 90 of them are equipped with 3D projection systems. Thus, 3D movies are expected to continue to do well.

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Major Trade Shows

Filmart 2014

Dates: March 24-27, 2014

Venue: Hong Kong Convention and Exhibition Center, Hong Kong

Website: <http://www.hkfilmart.com/filmart/index.htm>

Hong Kong - Asia Film Financing Forum 2012

Dates: March 24-26, 2014

Venue: Hall 1, Hong Kong Conventional and Exhibition Center, Hong Kong

Website: <http://www.haf.org.hk/haf/>

Trade Associations

Hong Kong Film Development Council: <http://www.fdc.gov.hk/en/home/index.htm>

Hong Kong International Film Festival: <http://www.hkfilmart.com/filmart/chi/buyreg.htm>

Hong Kong International Screen Association Limited: <http://www.hkisal.org>

Film Journals

Film Business Asia: <http://www.filmbiz.asia/>

Hollywood Reporter: <http://www.hollywoodreporter.com/topic/asia>

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Education/Training (EDS)

Overview

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Education/Training (EDS) Market in Hong Kong and Macau

	2010/11	2011/12	2012/13 (estimated)	2013/14 (estimated)
Hong Kong Students in the US	8,136	8,032	8,190	8,350
Macau Students in the US	497	505	515	525

Source: Open Doors Report, Institute of International Education ¹

Hong Kong's population of just over 7 million has a literacy rate of 95 percent, and 16 percent of Hong Kong people over the age of 15 have at least a Bachelor's degree (Source: Hong Kong Education and Manpower Bureau). As of 2008, compulsory, subsidized schooling is offered until the end of high school (12th Grade).

With 8,032 Hong Kong students studying in the U.S. during the 2011/12 academic year, Hong Kong ranked as the 16th leading origin of international students in the U.S. Due to Britain's historical connection with Hong Kong, the U.K. is the leading overseas study destination (25.9 percent), followed by Australia (23.7 percent), with the U.S. in third place (19.6 percent). The breakdown in terms of level of study for Hong Kong students in the U.S. is 70 percent at the undergraduate level and 16 percent at the graduate level. The popular areas of study for Hong Kong students in the U.S. are business and management (31 percent), social sciences (14 percent), fine and applied arts (8 percent), physical and life sciences (8 percent), engineering (7 percent), math and computer science (6 percent), with a range of other subject areas making up the balance of the remaining 28 percent.

Hong Kong's Education and Manpower Bureau revamped its education system in 2009. Instead of taking two exams -- one in Form 5 (Grade 11) and one in Form 7 (Grade 13), students are now required to take only one -- the Hong Kong Certificate of Secondary Education, which was previously for those continuing on from Form 5 (Grade 11) to Form 6 (Grade 12). The Hong Kong A-Level Exam, which was previously for Form 7 (high school senior students continuing on to university), will be replaced by the Hong Kong Diploma of Secondary Education (HKDSE) and will be administered during the last year of high school. The new '3-3-4' structure means that students will attend three years of compulsory, subsidized junior high school, three years of non-compulsory senior high school, and then four years of university. The 3-3-4 structure parallels the U.S. education system and is a significant change from the previously used British model under which Hong Kong students had 7 years of secondary school and entered college at the age of 19.

As a result of the education system reforms implemented in 2009, the 2011/12 academic year had the cohort of graduates from both systems (i.e. Advance Level and DSE graduates). According to the Hong Kong Education Bureau, only 18 percent of the graduates will be able to continue their further studies in publicly funded universities. In

¹ Open Door Reports, <http://www.iie.org/en/Research-and-Publications/Open-Doors/Data>

other words, an excellent DSE result would be critical for securing a seat in local universities.

In addition, to avoid the fierce competition in public examinations, many students have made an early departure from Hong Kong's education system because the Year 12 program is mainly designed for materials review and preparatory exercises. This trend has created additional incentives for students to begin their overseas education at Form 4 (Grade 10) or Form 5 (Grade 11) instead of completing the graduating year at Form 6 (Grade 12). Therefore, there has been a slight (and likely short-term) decline in students going to study in the U.S., especially for higher education. This is mostly a result of the change from a three-year to a four-year secondary school curriculum. Students are leaving the system early and flocking to the U.K. and Australia to complete their secondary education because those systems all use the previous three-year timeframe. This has helped nullify the shock of the new four-year system.

Although this trend is pervasive at the moment, as students starting secondary education adjust to the four-year system, they will become more used to the new system and actually be better prepared, and more inclined, to enter U.S. universities.

Most Hong Kong parents employ education agents to advise them on overseas higher education, search for appropriate schools, and provide other related services. U.S. education institutions could consider partnering with an agent in Hong Kong who can assist in promoting their schools and recruiting students. Word of mouth is also a significant factor in college choices. Many Hong Kong students return from the United States and promote their alma maters, sending their friends and relatives to the same schools.

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Since the service sector in Hong Kong has grown rapidly over the last several years, fields of study such as business, tourism and hospitality management, engineering, computer science, information technology, and service training for cruises, conventions, and exhibitions have become extremely popular. Other popular fields include mathematics, fine arts, social sciences, humanities, health sciences, and MBA / EMBA programs.

A number of U.S. education institutions have found success in developing partnerships with Hong Kong schools to open Hong Kong branch campuses for undergraduate and graduate programs. While the global hospitality sector has been affected by the economic downturn, the prospects for hospitality and MICE sector training in Hong Kong and Macau are also excellent because of the massive number of tourists from Mainland China.

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U.S. educational institutions are gaining recognition in Hong Kong. Hong Kong parents are beginning to recognize the academic excellence of colleges outside the Ivy League, such as liberal arts colleges, the 'public ivies,' and community colleges. This is a result

of many American institutions attending Hong Kong education shows and vigorously promoting themselves to Hong Kong schools and students.

Because of the enormous demand from Mainland Chinese students to study overseas and the typically higher education agent service fees in China, many agents in Hong Kong have established representative offices in South China with the relevant paperwork handled by the support team in Hong Kong. These agents counsel and prepare the students for school selection, visa interviews, housing, etc. Partnering with a Hong Kong agent would have the benefit of covering not only Hong Kong but also the nearby areas of Macau, Guangdong, and South China.

The State Department at the U.S. Consulate General in Hong Kong also promotes study abroad in the U.S. through its EducationUSA program. U.S. education institutions are encouraged to contact EducationUSA at: www.educationUSA.state.gov.

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TRADE SHOWS

U.S. Higher Education Fair
Dates: September 28, 2013
Venue: Conrad Hotel, Pacific Place, Hong Kong
Organizer: Institute of International Education
Tel: (852) 2603-5771
Fax: (852) 2603-5765
Website: <http://www.iiehongkong.org>

North American Boarding Schools Fair 2013
Date: November 2, 2013
Venue: To be confirmed
Organizer: Institute of International Education
Tel: (852) 2603-5771
Fax: (852) 2603-5765
Website: <http://www.iiehongkong.org>

The Education & Careers Expo 2014
Dates: February 13-16, 2014 (annual)
Venue: Hong Kong Convention & Exhibition Center
Organizer: Hong Kong Trade Development Council
Contact: Mr. Sam Wei
Tel: (852) 2240-4352
Website: <http://hkeducationexpo.hktcdc.com>

GOVERNMENT

Education and Manpower Bureau
Email: enquiry_ncr@emb.gov.hk
Website: www.emb.gov.hk

U.S. Consulate General Hong Kong

Public Affairs Section – EducationUSA Advisor
EducationUSA Website: <http://educationusa.state.gov>
Facebook: www.facebook.com/EducationUSAinHKMacau
Twitter: <http://twitter.com/EducationUSAhk>
Email: hkeducationusa@state.gov

U.S. Commercial Service Hong Kong

Tel: (852) 2521-1467
Fax: (852) 2845-9800
Email: office.hongkong@trade.gov
Website: www.export.gov/hongkong

Travel/Tourism (TRA)

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Hong Kong Outbound Tourism Data

	2011	2012	2013 (est.)	2014 (est.)
Total Departures by residents (million)	84.8	85.3	86	86.8
Departures for the U.S. ('000)	128.5	129.8	131.1	132.4
International Tourism Expenditure of residents (US\$ billion)	19.2	20.5	21.3	22.5

Source: U.S. Department of Commerce, and the World Tourism Organization (UNWTO)

Hong Kong is unique in the outbound source travel market. It not only has a significant outbound travel market of its own, but also serves as an important platform to tap into China's and other Asian countries' growing outbound travel markets. Hong Kong ranked as the 4th largest outbound market in Asia and 14th in the world in terms of international tourism expenditure, according to UNWTO. There are five major reasons behind this phenomenon: (1) Hong Kong is one of the most densely populated areas in the world, with an overall density of 6,620 people per square kilometer. Since there is also a general lack of local recreational options, Hong Kong people often choose to spend their holidays outside of Hong Kong; (2) Hong Kong people have high spending power. Its GDP per capita ranked the 3rd highest in Asia; (3) Hong Kong's geographical location and excellent transportation infrastructure allow for relatively easy travel abroad; (4) Most people in Hong Kong speak English and hold the Special Administrative Region (SAR) passport, which does not require visas to visit over 140 countries and regions in the world; and (5) Most importantly, the Hong Kong government controls neither its people nor foreign exchange from leaving the territory. Due to these factors, the number of Hong Kong residents traveling around the region and abroad for business and pleasure continues to rise. However, according to BMI's outbound tourism data, many of those departures (96.5 percent) are for mainland China, Macau and other nearby Asian destinations. Therefore, within Hong Kong alone, there lies good potential for promoting U.S. tourism.

In addition, Hong Kong plays a key role for international tour operators and other businesses seeking to access the soaring Chinese and other Asian countries' outbound travel market. First, Hong Kong is strategically located at the heart of the Asian continent. It is within five hours' flight from most cities in Asia. Hong Kong is less than two hours' drive from the Pearl River Delta, one of the most developed regions in China. This proximity gives Hong Kong instant access to the affluent consumer market, with 120 million people in southern China alone. Second, Hong Kong's Closer Economic Partnership Arrangement (CEPA) with China gives Hong Kong-based travel companies preferential treatment in China. Finally, Hong Kong's world class integrated transportation infrastructure can better facilitate outbound travel. In Hong Kong, there are over 100 airlines operating about 1,000 flights per day to 170 destinations worldwide,

including 50 cities in mainland China. For these reasons, many Asian travelers, especially those from mainland China transit through Hong Kong.

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1. Fixed itinerary tours for groups
2. Prepaid package tours for free individual travelers (FIT)
3. Visiting Relatives & Friends (VRF)
4. Meeting, Incentive, Conference and Exhibition (MICE)
5. Cruises

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Hong Kong citizens tend to travel during public holidays such as Chinese Lunar New Year, Easter, and Christmas because an average worker only has 10-14 days of annual leave. The traveling seasons usually occur around these public holidays and summer holidays. The summer months of June, July and August on average account for 30 percent of Hong Kong outbound travelers to the United States. In mainland China, travel peaks during the Golden Weeks, two annual 7-day national holidays. One is the "[Spring Festival](#) (or Chinese Lunar New Year) Golden Week" which begins in January or February. The other is the "[National Day](#) Golden Week" which begins around October 1.

Various published statistics indicate that Free Independent Travel (FIT) travel accounts for a significant portion of Hong Kong and mainland China outbound travels are in FIT. People from Hong Kong and China prefer to join packaged tours, particularly for first-time traveling and trips to new destinations. Travelers visiting a region for the first time want to see as many places as possible and cover multiple-destinations in one trip. Package tours offer precisely that: a set, "packaged" itinerary covering several destinations. Wine country tours have become very popular, especially among the Chinese travel market. Some other specialty tours for diving, golfing, horseback riding and skiing have also been quite successful. Cruises are also becoming popular. Cruise suppliers from Florida, California, Alaska or Hawaii should consider this opportunity and introduce cruise products in Hong Kong. Shopping is also an important theme for many outbound Hong Kong and mainland tourists. U.S. destinations may wish to incorporate shopping into their product offerings.

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Guangzhou International Travel Fair

Date: March 7–9, 2013

Venue: China Import & Export Fair Complex, Guangzhou, China

Organizer: Hannover Fairs China Ltd., Guangzhou Office

Contact: Ms. Iris Han

Tel: 86-20-8626 6696-8008

Fax: 86-20-8626 6690

Email: Iris.han@hmf-china.com

Website: www.gitf.com.cn

ITE 2013 – International Travel Expo Hong Kong

Date: June 13 – 16, 2013

Venue: Hong Kong Convention & Exhibition Center (HKCEC), Hong Kong

Organizer: TKS Exhibition Services Ltd.

Tel: (852) 3155-0600

Fax: (852) 3520-1500

Website: www.itehk.com

China International Travel Mart (CITM) 2013

Date: October 24-27, 2013

Venue: Yunan, China

Organizers: China National Tourism Administration & Shanghai Municipal People's
Government

Website: www.citm.com.cn/english/index.aspx

Hong Kong Immigration Department

www.immd.gov.hk

Travel Industry Council of Hong Kong

Tel: (852) 2807-1199

Fax: (852) 2510-9907

Website: www.tichk.org

U.S. Commercial Service Hong Kong

Contact: Ms. Kimmy Lee, Commercial Specialist

Tel: (852) 2521-1467

Fax: (852) 2845-9800

Email: kimmy.lee@trade.gov

Website: www.export.gov/hongkong

Franchising (FRA)

Overview

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Hong Kong's consumption-driven economy, high per capita income and strong IPR and general legal protection continue to attract U.S. and other foreign franchisors. U.S. brands such as Subway, Pizza Hut and Anti-Gravity Yoga are popular in Hong Kong.

The Pearl River Delta (PRD) continues to post strong economic growth, and economic integration between Hong Kong and the PRD has created a wealthy consumer base with strong franchising potential. Most of the local franchisees of U.S. franchisors operate as area developers and do not sub-franchise. Some do, however, include the PRD region (immediately to the north of Hong Kong) of Southern China and the Special Administrative Region of Macau as their territory of operation, in addition to Hong Kong. With its unique ties to China, Hong Kong franchise consultants often assist franchise owners, both local and foreign, to develop a strategy for expanding operations to this region. It is also common for Hong Kong area developers to partner with the U.S. franchisors to jointly develop franchises in the PRD region and other parts of China, involving equity participation from the U.S. franchisor. It has also become common in recent years for master franchisees from outside of Hong Kong to start franchise operations here having included Hong Kong, Macau and parts of China in their franchise territory. These non-resident Hong Kong franchisees are mostly from S.E. Asia and are keen to expand their territory beyond their home country for economies of scale and for development opportunities in China.

American franchisors will find strong competition in Hong Kong due to the maturity of its market and the long establishment of major franchise systems. Successful franchisors are those who understand the need to tailor products and services to local consumer tastes and the need to have a regional presence in Hong Kong to develop local business relationships, be in regular touch with the local franchisee to build the business, and fine tune the product offerings and services.

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Quick service food and beverage concepts and concepts related to children, education and fitness are especially promising.

Opportunities

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Most franchise growth in the past two years has been in real estate brokerage, quick service food and beverage operations, and learning centers. Macau, with its growth of gaming resorts and MICE (meetings, conventions and exhibitions) business still faces a shortage of skilled labor in the hospitality industry. There are therefore opportunities for a business model that encompasses support for operator staff as well as U.S. franchisors of training services, per se.

Hong Kong, with its open import market, excellent transportation and business infrastructure, serves as a regional distribution, logistics and marketing hub for many U.S. franchisors to service existing Asia Pacific franchisees. Hong Kong also serves as a regional showcase for U.S. franchisors looking to penetrate the Mainland Chinese market and other markets in the region.

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A list of franchise operators in Hong Kong can be found on the Hong Kong General Chamber of Commerce's franchise website at www.franchise.org.hk.

Major trade show: Macau Franchise Expo 2013

www.mfe.mo

Organized by the Macau Trade and Investment Promotion Institute (IPIM) the expo showcases about 200 franchisors, chain store operators and branded products from China, Hong Kong, Japan, Taiwan, Macau, other Southeast Asian countries.

U.S. Commercial Service Hong Kong

Contact: Ms. Swee-keng Cheong, Commercial Specialist

Tel: (852) 2521-5233

Fax: (852) 2845-9800

Email: sweekeng.cheong@trade.gov

Website: www.export.gov/hongkong

Hong Kong is one of the fastest growing export markets for U.S. agricultural products. Total U.S. agricultural exports to Hong Kong reached over US\$3.6 billion in 2012², an increase of 3.5 percent over 2011. This ranks Hong Kong as the 6th-largest market for U.S. agricultural products.

Despite having a population of just 7.17 million, Hong Kong is an even more important market for U.S. consumer-oriented (i.e. grocery) exports, which reached US\$2.9 billion in 2012. This represented a growth of 13 percent over 2011 and makes Hong Kong the 4th largest market for these products after Canada, Mexico, and Japan.

Hong Kong's rapid growth as a major food import market can be attributed to several factors:

1. Absence of trade barriers to most food and beverage products;
2. A strategic location in Southern China with excellent infrastructure/logistical facilities, which enable Hong Kong to perform the important role as the gateway to China and other markets in the region;
3. A highly-developed marketing system, with tourists (48.6 million in 2012) and affluent consumers who demand high-value imports. Hong Kong's per capita income at US\$36,557 for 2012 is among the highest in Asia, with a significant portion of income spent on food.

Shoppers are buying an increasing percentage of their groceries in supermarkets, as opposed to traditional wet markets. Demand for grocery store products, meats, poultry, eggs and fresh fruit continues to be very strong. Although still a small segment of the overall market, demand for natural and organic food and beverage is growing rapidly.

Outlook for 2013

- Over 80 percent of Hong Kong's imports of U.S. agricultural products consist of consumer-oriented products. As expected, food imports in Hong Kong showed strong continued growth in 2012, despite slower GDP growth of 1.5 percent. Growth in food imports is also expected in 2013 but at a slightly less robust pace. U.S. agricultural products are well known in the market for their good taste and quality. In addition, the peg between U.S. dollar and HK dollar³ will provide much needed foreign exchange stability which will make buying U.S. products more advantageous.

Retail Sales and Outlets

- Total retail sales of food and drinks in Hong Kong for 2012 reached US\$10.2 billion, representing growth of 7 percent compared to 2011. Relatively sound economic

² Source: US BICO Statistics, FAS Website: <http://www.fas.usda.gov/>

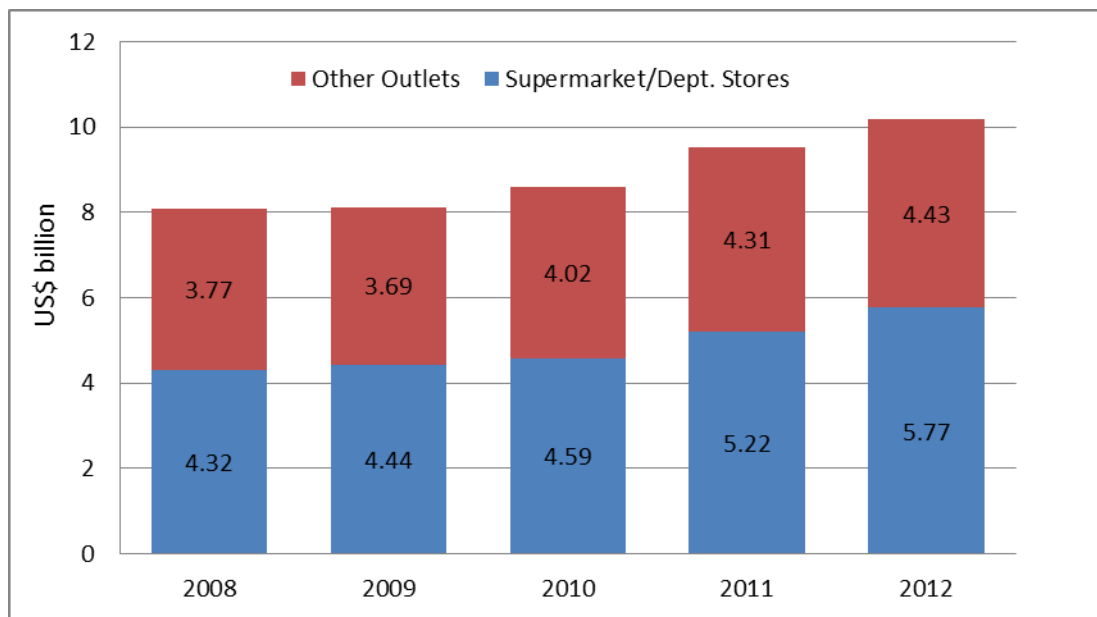
³ Hong Kong dollar has been financially pegged with US dollar since 1983, exchange rate: US\$1=HK\$7.8

growth prospects for 2013 should help maintain growth in the food retail sector and food retail sales.

F&B Retail Sales in Hong Kong (US\$ billion)

Channel	2008	2009	2010	2011	2012	Growth (12 vs 11)
Supermarket/Dept. Stores	4.32	4.44	4.59	5.22	5.77	10.5%
Other outlets	3.77	3.69	4.02	4.31	4.43	2.8%
Total	8.09	8.13	8.61	9.53	10.2	7%

Source: Hong Kong Census and Statistics Department



- Despite a highly centralized supermarket retail network, with two supermarket chains accounting for about 80 percent of the supermarket turnover, the total number of retail establishments stands at approximately 14,000. Retail shops in Hong Kong generally are very small in size, about 97 percent of which hire less than 10 employees⁴.
- Traditionally, Hong Kong consumers shop for food daily because of a preference for fresh food. Much of the shopping is still done in traditional markets including wet markets and mom-and-pop shops. While both wet market and supermarket sales are increasing, supermarkets are taking a greater share of total sales. The supermarket's share in terms of retail sales rose from 44 percent of total sales in 1995 to 57 percent in 2012.
- Although there will not be significant growth of the number of supermarkets, the retail sales share of supermarkets is expected to continue to expand in the future at the expense of that of traditional markets. Many supermarkets in Hong Kong now have successfully tapped the fresh food market by offering foods at very competitive

⁴ Source: Hong Kong Census and Statistics Department

prices and providing a comfortable shopping environment, which is different from traditional wet markets.

Sales by Retail Outlet

Outlet	2008	2009	2010	2011	2012
Supermarkets/ Dept. stores	54%	53%	53%	55%	57%
Other outlets	46%	47%	47%	45%	43%
Total	100%	100%	100%	100%	100%

Source: Hong Kong Census and Statistics Department

- Overall, wet markets are strong in fresh foods, while supermarkets are strong in processed, chilled and frozen, high added value, and canned food products. The competition between wet markets and supermarkets has intensified in recent years. Some wet markets have turned air-conditioned and provide free shuttle to nearby residential areas.

HRI Food Service Sector

Restaurants

Hong Kong restaurant industry's purchases of US\$4.3 billion in foods and beverages generated sales of US\$12 billion in 2012. This represented an increase of 4 percent and 2.4 percent respectively over 2011. It is expected that restaurant purchases and receipts will continue to grow in 2013.

Hong Kong Restaurants Receipts and Purchases (US\$ billion)

	2010	2011	2012	Growth (12 vs 11)
Restaurant Receipts	10.8	11.5	12	4%
Restaurant Purchases	3.7	4.2	4.3	2.4%

Source: Hong Kong Census & Statistics Department

As Asia's most cosmopolitan city, Hong Kong boasts around 14,500 restaurants serving a wide range of world cuisines. These restaurants are comprised of 36 percent Chinese, 56 percent non-Chinese restaurants, and 8 percent fast food outlets. In addition, there are over 1,000 bars, pubs and other eating and drinking establishments⁵.

- Chinese restaurants:** Chinese restaurants are popular among local citizens and tourists. There are a variety of Chinese restaurants in Hong Kong serving different regional cuisines: Canton, Shanghai, Beijing, Sichuan...etc. A typical lunch at a nice Chinese restaurant costs around HK\$150-300 (US\$19.23-38.46) per person and a typical dinner costs around HK\$200-450 (US\$25.64-57.69) per person.
- Non-Chinese restaurants:** Many Hong Kong consumers enjoy western food, as do the over 48 million tourists (in 2012). 5-Star and other high-end western restaurants are as likely to be patronized by locals as tourists/visitors. Japanese food, fast food chains, coffee houses and casual dining establishments are also

⁵ Source: Hong Kong Census and Statistics Department

increasing their presence. A typical lunch at a western restaurant costs around HK\$150-350 (US\$19.23-44.87) per person and a typical dinner costs around HK\$250-500 (US\$32.05-64.10) per person.

- **Fast food outlets:** Fast food outlets are popular among Hong Kong consumers. The most popular fast food chains in Hong Kong are McDonald's, KFC and Pizza Hut. There are also some large local fast food chains such as Café De Coral, Maxim's and Fairwood that serve both Chinese and western foods. Competition among fast food chains is intense, as they each try to keep meal prices competitive. The average cost is around HK\$35 (US\$4.49) for breakfast, HK\$50 (US\$6.41) for lunch, HK\$30 (US\$3.84) for afternoon tea and HK\$70 (US\$8.97) for dinner. To further meet competition, many fast food operators have renovated their outlets to make them look more modern, spacious and attractive. To meet the demand of a growing number of health-conscious customers, fast food chains have also introduced more new ingredients and developed health-food options such as salads, fruits, and fresh juices.
- **Coffee Shops:** The coffee shop market continues to grow in Hong Kong's commercial areas. The two largest coffee house outlets are Starbucks – operating 125 outlets and Pacific Coffee 120 outlets. Most shops also offer basic menus consisting of muffins, pastries, cakes, sandwiches, and bottled beverages (juices and water). McDonald's has also vigorously expanded its McCafe in order to gain share in this growing market. Of its 235 outlets, 84 include a McCafe inside their shops.

Hotels

Hotels, Hostels and Guesthouses in Hong Kong

	2010	2011	2012	Growth
Number of hotels/guesthouses	794	826	929	+11%
Number of rooms	66,354	68,404	74,212	+7%
Room occupancy rate	87%	89%	89%	-

Source: Hong Kong Census and Statistics Department

- Many five-star hotels serve U.S. beef, chicken, turkey, pork, eggs, fish and seafood products, fruits and vegetables, processed products and beverages.
- The Hong Kong Government (HKG) provides a searchable list of licensed Hotels & Guest Houses at:
http://www.hadla.gov.hk/en/hotels/search_h.html
http://www.hadla.gov.hk/en/hotels/search_g.html
- A list of Hong Kong hotels are available at:
<http://www.hkha.com.hk/en/uhi01001.asp?sec=3>
<http://www.discoverhongkong.com/eng/jsp/hotel/search-index.jsp>

Institutions

- Institutions like schools, hospitals, and airlines are served by a small number of large catering groups who are generally affiliated with the restaurant sector. These caterers mainly source their ingredients from China where supplies are cheaper and more abundant. They also use ingredients from other countries such as the U.S. when they cannot find the same products in China, or when they want to use products with better quality and taste.
- **Schools:** School regulators prohibit primary and lower secondary students from eating out. Students therefore either pack their lunch boxes or subscribe to school lunch boxes. According to the latest statistics (academic year 2011/2012) of the Education Bureau, there are 568 primary schools and 524 secondary schools. The total number of primary students and lower secondary students amounted to 322,881 and 208,010 respectively. About 70 percent of students buy lunch at schools. A typical lunch box consists of meat, rice and some cooked vegetables. The annual turnover is estimated at US\$250 million. Healthy eating programs are underway to encourage a change in eating trends for schools. Caterers have to register with the Hong Kong Food and Environmental Hygiene Department (FEHD) before they are eligible to bid tenders provided by individual schools. ATO Hong Kong can provide U.S. exporters with the list of registered caterers for school lunch boxes.
- **Hospitals:** The Hospital Authority operates 41 hospitals and medical centers, with a total of over 27,000 beds and staff size of 59,600. The catering services for hospitals are outsourced on a tender basis. The hospitals are served by catering groups, many of which also operate restaurants, fast food chains or school lunch catering services.
- **Airlines:** There are three aircraft catering franchisees at the Hong Kong International Airport, each with a 15-year term:
 - Cathay Pacific Catering Services
 - Lufthansa Service Hong Kong Ltd
 - Gate Gourmet Hong Kong Ltd
- The three airline caterers have a combined capacity of 135,000 meals per day, providing a whole range of in-flight catering services, from preparation and assembly of in-flight dishes to logistics of food delivery and storage of catering utensils.

Outlook of the HRI Sector in 2013

- The outlook for spending on food is slightly less optimistic as the Hong Kong economy is not currently expected to grow at the same pace as in both 2011 (8 percent) and 2012 (5.4 percent). However, it is expected that consumers will continue to dine out. In addition, Hong Kong will continue to be a major tourist destination where tourists spend significantly on food and beverage.

Best Prospects for U.S. Consumer Oriented Food Product Exports in 2013

We believe that U.S. F&B products will continue to enjoy good prospects in Hong Kong:

1. Hong Kong has a highly-developed marketing system, with tourists (over 40 million each year) and affluent consumers who demand high value imports. Per capita income (circa US\$36,557) in Hong Kong is among the highest in Asia, with a significant portion of income spent on food.
2. With the link between the U.S. and Hong Kong dollars, buying from the United States provides much needed foreign exchange stability & safety than buying from other sources.
3. With the strong support from China, Hong Kong will continue to play the important role as the gateway to China and other markets in the region.
4. The following are expected to be the top 5 prospects for U.S. Consumer Oriented Food Product Exports in 2013
 - Fish & Seafood
 - Pork
 - Beef
 - Wine
 - Organic Food & Beverages

Contact the U.S. Agricultural Trade Office – Hong Kong for more information on Hong Kong's Market for Great American Food!

Agricultural Trade Office
Address: 18/F, St. John's Building
33 Garden Road, Central
Hong Kong
Tel: (852) 2841-2350
Fax: (852) 2845-0943
Email: atohongkong@fas.usda.gov
Website: www.usfoods-hongkong.net

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Import Tariffs

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Hong Kong

Hong Kong is a free port that does not levy a customs tariff. The HKG levies excise duties on four commodities, namely: hard alcohol, tobacco, hydrocarbon oil, and methyl alcohol. The excise tax on distilled spirits (hard alcohol) is 100 percent, and the rate for unleaded gasoline is US\$0.78 per liter. Duties on wine and beer were reduced to 0 percent effective February 27, 2008. Lastly, a steep "First Registration Tax," which ranges from 35-100 percent of price, is levied on new car purchases. The current list of dutiable goods and corresponding rates is available at:

www.customs.gov.hk/en/trade_facilitation/dutiable/types/index.html

To inquire about specific products contact:

Customs and Excise Department

Address: Customs Headquarters Building

222 Java Road, North Point

Hong Kong

Tel: (852) 3759-2606

Fax: (852) 2541-3039 (Office of Dutiable Commodities Administration)

Website: www.customs.gov.hk

Macau

Macau is a free port with no tariffs on general imports. Macau, however, does impose a consumption tax on alcohol, tobacco, and fuels, ranging from 5-20 percent (based on cost, insurance, and freight) and a motor vehicle tax of 10-55 percent on imported motorcycles and motor vehicles (based on the initial sale price).

To inquire about specific products contact:

Macau Customs Service
Rua S. Tiago da Barra
Doca D. Carlos I, SW
Customs Headquarters, Macau
Tel: (853) 2855-9944
Fax: (853) 2837-1136
Email: info@customs.gov.mo
Website: www.customs.gov.mo

Trade Barriers

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Hong Kong and Macau are duty-free ports, with few barriers to trade in goods and services and few, if any, restrictions on foreign capital flows and investment.

Import Requirements and Documentation

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U.S. standard trade documentation is acceptable.

U.S. Export Controls

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Hong Kong

Hong Kong maintains an autonomous and transparent export control regime. The United States continues to provide Hong Kong importers a comparable level of access to controlled dual-use U.S. technologies as before Hong Kong's 1997 reversion to China. In some cases, items that do not require a license for export to Hong Kong may require a license to mainland China. U.S. companies should understand whether Hong Kong recipients of U.S. exports are end-users or merely intermediaries, as U.S. export control requirements are generally based on the final destination of the export.

The Hong Kong Government imposes restrictions on the import and export of certain items based on control lists maintained by the internationally observed multilateral export control regimes (Wassenaar Arrangement, Missile Technology Control Regime, Nuclear Suppliers' Group, Australia Group and the Chemical Weapons Convention). For items on these control lists, Hong Kong importers may require evidence of compliance with U.S. export control laws in order to obtain the necessary Hong Kong import or export licenses. Hong Kong has also adopted "catch-all" export license requirements that cover exports and re-exports of non-listed items to entities and institutions involved in promoting the production of weapons of mass destruction. A caution to U.S. exporters: the United States imposes unilateral export controls that are broader than those maintained by Hong Kong and will penalize companies involved in exports to Hong Kong that are destined for countries or entities restricted under U.S. law.

Macau

Macau is treated differently than Hong Kong by the Bureau of Industry and Security for export control purposes. In the case of Macau, exports or re-exports to Macau are generally treated as exports or re-exports to mainland China.

Bureau of Industry and Security

For more information on U.S. export control regulations, please visit:

www.bis.doc.gov

Temporary Entry

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Most products are not subject to any Hong Kong or Macau duties or taxes. For alcohol, cigarettes and fuel, however, companies must fill out a duty waiver form, which can be obtained from Hong Kong Customs at www.customs.gov.hk or Macao Customs Services at www.customs.gov.mo.

Labeling and Marking Requirements

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The following information on labeling and marking refers to Hong Kong unless indicated.

Hong Kong's non-tariff barriers related to labeling requirements, standards, and other requirements are generally minimal, but will become more restrictive for foods, beverages, and supplements.

Pharmaceuticals and over-the-counter (OTC) drugs must have indications of dosage and frequency on the label in both Chinese and English.

Food Labeling

Hong Kong's food labeling regulations are developed and administered by the Centre for Food Safety. According to Schedule 3 to the Food and Drugs (Composition and Labeling) Regulations (Cap. 132W), the following information should be marked in either English or Chinese language or in both languages on the label of prepackaged food:

- (1) Name of the food
- (2) List of ingredients (including allergens)
- (3) Indication of "use by" or "best before" date
- (4) Statement of special conditions for storage or instructions for use
- (5) Name and address of manufacturer or packer
- (6) Count, weight or volume of food

New Food Labeling Requirements

Hong Kong's nutritional labeling regulation took effect July 1, 2010. The regulation requires all prepackaged food sold in Hong Kong to label the product's energy content plus seven nutrients: protein, carbohydrates, fat, saturated fat, trans fat, sodium and sugars. Packaged products which make claims such as "low fat" or "high in Vitamin A" must meet additional labeling and definitional requirements as uniquely spelled out in the legislation. Manufacturers and traders may apply for a small volume exemption for

individual prepackaged food products with annual sales in Hong Kong of less than 30,000 units, provided that the products do not carry any nutritional claims. Traders applying for the exemption have to pay the equivalent of US\$44 per product variety for the first year and US\$43 for annual renewal. The new labeling regulation does not follow the labeling practices of major suppliers. Given the small size of Hong Kong's market, most packaged food manufacturers find it economically unviable to provide new labels specifically for Hong Kong. However, stick-on labels are acceptable by the Hong Kong government. To remain competitive by offering product choices, retailers/importers choose to apply stick-on labels for good selling potential food items after they are imported into Hong Kong.

In 2012, Hong Kong was the 4th-largest market for U.S. grocery products, with sales of almost US\$2.9 billion. Any food supplement not assigned a "pharmaceutical number" is considered a food and will be subject to the legislation.

Proposed New Legislation on Food Safety

The Legislative Council passed the Pesticide Residues in Food Regulation in June 2012 after the Hong Kong Government introduced it in May 2012. The regulation will come into operation on August 1, 2014, after a two-year grace period. The regulation largely makes reference to the Codex standard.

The government is also reportedly contemplating the introduction of a "voluntary" code of marketing practices and labeling requirements for infant formula. A group comprising the major suppliers of formula in Hong Kong has concerns about the development, implementation and impact of this regime.

For information on Hong Kong's food laws, consult Public Health and Municipal Services Ordinance and the Food Safety Ordinance which are available at www.legislation.gov.hk/eng/home.htm

Consumer Electrical Appliances Labeling

The Hong Kong Government enacted the Energy Efficiency Labeling Ordinance in May 2008 for consumer electrical appliances. The ordinance's Mandatory Energy Efficiency Labeling Scheme (MEELS) is intended to assist consumers in choosing energy efficient products. Under the ordinance, the manufacturer/importer's product must be registered with the Hong Kong Electro-Mechanical Services Department and carry an energy label that complies with specified technical requirements. The ordinance's first phase of implementation mandated standardized energy efficiency labeling for three types of products sold in Hong Kong beginning on November 9, 2009: air conditioners, refrigerators and compact fluorescent lamps. The second phase of MEELS, which has been fully implemented since September 2011 after an 18-month grace period for the traders to make necessary preparations, covers two more products: washing machines and dehumidifiers. A Code of Practice on Energy Labeling of Products has been approved and issued to provide practical guidance and technical details about the requirements under the Ordinance. The following website has more details: [www.emsd.gov.hk/emsd/e_download/pee/Integrated_Code_of_Practice_\(201003\)\(Final\).pdf](http://www.emsd.gov.hk/emsd/e_download/pee/Integrated_Code_of_Practice_(201003)(Final).pdf)

Prohibited and Restricted Imports

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The import of munitions, firearms and fireworks is strictly forbidden.

Hong Kong banned imports of U.S. beef in December 2003 following a reported case of Bovine Spongiform Encephalopathy (BSE). In December 2005 the Hong Kong government announced the partial reopening of its market (with numerous restrictions) to deboned beef derived from animals less than 30 months of age. These restrictions discouraged many qualified U.S. beef exporters from shipping to Hong Kong. However, in February 2013 the HKG further expanded the list of eligible products to include boneless beef of all ages and bone-in beef cuts derived from animals under 30 months of age in an agreement that seeks to allow full World Organization for Animal Health (OIE) consistent access in phases. Despite the former restrictions, the value of U.S. beef and beef products exports to Hong Kong reached a record high of US\$340 million in 2012, well surpassing the \$240 million export value in 2011. That figure is expected to increase again in 2013 with the expanded access agreement now in force.

Customs Regulations and Contact Information

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Customs valuation is only an issue for the taxable items listed above. The tax on tobacco is by quantity: HK\$1,706 (US\$219) for every 1,000 cigarettes and HK\$2,197 (US\$282) per kilogram for cigars. The tax on distilled spirits is 100 percent. The tax on petroleum products is by both volume and value. The value is based on the bill of lading as long as it represents a reasonable market value. The tax on automobiles is based on both retail price and engine size.

For more information about Hong Kong customs regulations, please check the Hong Kong Customs and Excise Department's website at www.customs.gov.hk. For information about Macau customs, please check the Macau Customs Services website at www.customs.gov.mo.

U.S. Immigration and Customs Enforcement (formerly U.S. Customs Service) maintains an office in Hong Kong. It can be contacted at:

U.S. Immigration and Customs Enforcement
U.S. Consulate General
Address: 26 Garden Road, Central
Hong Kong
Inquiry Hotline: (852) 2524-1136
Fax: (852) 2810-6550

Standards

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Overview

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Hong Kong's policy, in accordance with the World Trade Organization (WTO) Agreement on Technical Barriers to Trade, is to adhere to international standards to the maximum extent possible.

The following sixteen areas have special regulations, standards, and conformity assessment mechanisms: animals and plants (sanitary and phytosanitary), boilers and pressure vessels, building materials and construction, chemicals (pesticides), consumer goods, drugs and medical devices, electrical products, energy, environment, food, information and communications technology equipment and systems, lifts and escalators, radioactive substances and irradiating apparatus, shipping safety, toys and children's products, and transport equipment.

Please visit the following website for more specific product regulations and standards: www.itc.gov.hk/en/quality/psis/srca/db.htm

Standards Organizations

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Hong Kong and Macau do not have central standards bodies that develop and issue domestic standards. The Hong Kong Product Standards Information Bureau (PSIB), the Hong Kong Accreditation Service (HKAS) and the Standards and Calibration Laboratory (SCL) of the Innovation and Technology Commission (ITC) actively participate in standards and conformity assessment related international and regional activities.

PSIB represents Hong Kong in the Asia Pacific Economic Cooperation (APEC) Sub-Committee on Standards and Conformance (SCSC); the International Organization for Standardization (ISO); and the Pacific Area Standards Congress (PASC). HKAS actively participates in the Pacific Accreditation Cooperation (PAC); Asia Pacific Laboratory Accreditation Cooperation (APLAC); the International Accreditation Forum (IAF); and the International Laboratory Accreditation Cooperation (ILAC) meetings. SCL is a full member of the Asia Pacific Metrology Programme (APMP) and represents Hong Kong, China, as an Associate of the General Conference on Weights and Measures (CGPM) of the Metre Convention.

In addition, the Customs and Excise Department is a Correspondent Member of the International Organization of Legal Metrology (OIML) and a Member of the Asia Pacific Legal Metrology Forum (APLMF). The Office of the Communications Authority also attends meetings of the International Telecommunications Union (ITU).

NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: <http://www.nist.gov/notifyus/>

Conformity Assessment

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A comprehensive range of conformity assessment services including testing, calibration, certification, and inspection, are available in Hong Kong. The majority of such services are provided by the private sector. Examples of Conformity Assessment Bodies (CABs) include:

- Intertek Testing Services Hong Kong Ltd.
- Calibration & Testing Laboratory / Sun Creation Engineering Ltd.
- The Hong Kong Standards and Testing Centre Ltd.
- CMA Industrial Development Foundation Ltd.
- TUV Rheinland Hong Kong Ltd.
- Bureau Veritas Hong Kong Ltd.

Conformity is demonstrated through third party accreditation. HKAS provides accreditation for laboratories, certification bodies, and inspection bodies.

Product Certification

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The certification system in Hong Kong is administered to facilitate Hong Kong's export to foreign markets. The system establishes the origin of goods that Hong Kong exports to meet the requirements of overseas importing authorities.

The legal basis for Hong Kong's origin system is based on the Export (Certificates of Origin) Regulations of the Import and Export Ordinance (Cap. 60), which provide the Director-General of the Hong Kong Trade and Industry Department (TID) with the power to run the certification system. The regulations also provide penalties for certification offences.

Certificates of Origin issued by the Government Approved Certification Organizations (GACOs) are governed by the Protection of Non-government Certificates of Origin Ordinance (Cap. 324 of the law of Hong Kong). These Certificates of Origin have the same legal status as those issued by the TID.

Accreditation for construction product certification and consumer product certification services is provided by HKAS. The accreditation criteria include HKAS 002, ISO/IEC Guide 65: 1996, the relevant HKAS supplementary criteria, Hong Kong Certification Body Accreditation Scheme (HKCAS, see below more information) Supplementary Criteria No. 2 (for construction product certification),

and Hong Kong Certification Body Accreditation Scheme (HKCAS, see below) Supplementary Criteria No. 3 (for consumer product certification).

Construction Products

For accreditation of construction product certification, the scope of accreditation service is given in HKCAS Supplementary Criteria No. 2. Certification bodies interested in seeking accreditation for construction product certification may contact the TID for further details.

Consumer Products

Application for accreditation is open to any certification body which operates a third-party product certification system of type 1b, 2, 3, 4 or 5 as described in ISO/IEC Guide 67: 2004 for specific types of consumer products in one of the following product groups:

- Electrical and electronic products
- Food containers
- Furniture
- Telecommunications equipment
- Textiles, garments, and footwear
- Toys and children's products

Accreditation

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The Hong Kong Accreditation Service (HKAS), a government organization, provides accreditation for laboratories, certification bodies and inspection bodies. HKAS operates three accreditation schemes: Hong Kong Laboratory Accreditation Scheme (HOKLAS), Hong Kong Certification Body Accreditation Scheme (HKCAS), and Hong Kong Inspection Body Accreditation Scheme (HKIAS). HOKLAS was launched in 1985, HKCAS in 1998, and HKIAS in 1999. Participation in these schemes is voluntary. HKAS participates in a number of mutual recognition arrangements.

HKAS is advised by the Accreditation Advisory Board (AAB) on matters relating to accreditation. The Chairman and members of AAB are appointed by the Secretary for Commerce and Economic Development under the delegated authority of the Chief Executive. Working Parties and Task Forces are established under AAB to undertake specific tasks. HKAS has established a cadre of assessors and technical experts for carrying out assessments for each of the accreditation scheme.

Contact information for HKAS:

Hong Kong Accreditation Service
Quality Services Division
Innovation and Technology Commission
Address: 36/F, Immigration Tower
7 Gloucester Road, Wanchai, Hong Kong
Tel: (852) 2829-4840

Fax: (852) 2824-1302
Email: hkas@itc.gov.hk
Website: www.itc.gov.hk/en/quality/hkas/about.htm

Publication of Technical Regulations

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Technical regulations are proposed and passed by relevant government departments. There may or may not be public consultation before each regulation is passed.

Hong Kong's technical regulations cover the following areas: Electrical Products Safety, Air Pollution Control, Antibiotics, Boilers and Pressure Vessels, Buildings, Consumer Goods Safety, Dangerous Drugs, Electricity, Environmental Impact Assessment, Food and Drug (Composition and Labeling), Gas Safety, Merchant Shipping Safety, Noise Control, Ozone Layer Protection, Pesticides, Pharmacy and Poisons, Plant (Importation and Pest Control), Public Health (Animals and Birds), Public Health and Municipal Services, Radiation, Road Traffic, Telecommunications, Toys and Children's Products Safety, Waste Disposal, and Water Pollution Control.

More information on Hong Kong's technical regulations can be obtained from the following website: www.itc.gov.hk/en/quality/psis/regulations.htm.

Technical regulations are published in the *Government of the Hong Kong Special Administrative Region Gazette*.

For information about a subscription to the Government of the Hong Kong Special Administrative Region Gazette, contact:

Information Officer, Publications Sales Section
Information Services Department
Email: puborder@isd.gov.hk
Website: www.isd.gov.hk/eng/publication.htm#gaze

Labeling and Marking

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Refer to "Labeling and Marking Requirements" in this chapter.

Contacts

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The designated central contact for standards issues in Hong Kong is listed below:

Innovation and Technology Commission
Product Standards Information Bureau
36/F, Immigration Tower
7 Gloucester Road
Wan Chai, Hong Kong

Tel: (852) 2829-4820
Fax: (852) 2824-1302
Email: psib@itc.gov.hk
Website: www.itc.gov.hk/psib

For regulatory contacts, please refer to the following website:
www.itc.gov.hk/en/quality/psis/index.htm

U. S. Commercial Service in Hong Kong
Contact: Ms. Olevia Yim, Sr. Commercial Specialist
Tel: (852) 2521-1467
Fax: (852) 2845-9800
Email: olevia.yim@trade.gov

Trade Agreements

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Hong Kong

Hong Kong is a founding member of the World Trade Organization (WTO) as well as a member of the Asia-Pacific Economic Cooperation (APEC).

Despite mainland China's accession to the WTO, Hong Kong is well positioned to play a key role for U.S. firms wishing to expand exports to China, one of the world's fastest-growing markets. Hong Kong is a trading hub for mainland China and the region; its trading firms are experts at promoting imported products and services in mainland China. Similarities in linguistic and cultural traditions have enabled Hong Kong traders to maximize opportunities for U.S. firms, and in particular for small and medium-sized enterprises and first-time exporters.

Hong Kong has a free trade agreement with mainland China, called the Closer Economic Partnership Arrangement (CEPA), which provides tariff-free export to mainland China of Hong Kong-origin goods and preferential access for specific services sectors. Signed in 2003, CEPA has gradually expanded every year thereafter. Following the ninth phase, announced in June 2012, service providers in 48 sectors (e.g., logistics, distribution) now enjoy preferential treatment on the mainland. U.S. and other foreign firms engaged in substantive business operations in Hong Kong over the past three to five years are eligible to take advantage of most CEPA concessions to enter the mainland market. The HKG plans to achieve "basic" liberalization between Hong Kong and Guangdong Province by the end of 2014 and between Hong Kong and all of mainland China by the end of the Chinese National 12th Five-Year Plan period in 2015.

In order to qualify as a Hong Kong company under CEPA, the company (including a subsidiary of a foreign company) must incorporate in Hong Kong, have been engaged in substantial business operations here for more than three years, and employ at least half of its staff in Hong Kong. In addition, foreign companies that have acquired or merged with a Hong Kong company on or after June 29, 2003, qualify after one year of operation as a Hong Kong company. For more information on CEPA, please visit: www.tid.gov.hk/english/cepa.

With the January 1, 2005 elimination of all remaining quotas on textile and apparel imports from WTO members, Hong Kong textile and apparel exports are no longer subject to quantitative restrictions.

In 2010, Hong Kong signed its first-ever free-trade agreement (FTA) with a foreign economy (New Zealand). In June 2011, Hong Kong and the member states of the European Free Trade Association (Iceland, Liechtenstein, Norway and Switzerland) signed a FTA covering trade in services and goods as well as investment, and other trade-related issues such as protection of intellectual property. In addition, Hong Kong and Chile signed a FTA in September 2012. These FTAs are fully consistent with the provisions of the World Trade Organization. In April 2013, Hong Kong announced that it would negotiate with ASEAN on a bilateral basis for an ASEAN-Hong Kong FTA. Finally, Hong Kong is an Asia-Pacific Economic Co-operation (APEC) member economy and a participant in the APEC Business Travel Card (ABTC) Scheme, which grants qualified business travelers streamlined immigration clearance.

Macau

A separate and roughly equivalent Closer Economic Partnership Arrangement was signed between mainland China and Macau in 2003. While not as expansive as that of Hong Kong, it includes a number of industry areas where Macau-based firms are granted preferential access to the mainland market. More information on this CEPA agreement can be found at: www.cepa.gov.mo/cepaweb/front/eng/index_en.htm.

Web Resources

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Hong Kong Accreditation Service: www.itc.gov.hk/en/quality/hkas/about.htm

Hong Kong Customs and Excise Department: www.customs.gov.hk

Hong Kong Trade and Industry Department: www.tid.gov.hk

Macau Government CEPA site: www.cepa.gov.mo/cepaweb/front/eng/index_en.htm

Macau Customs Service: www.customs.gov.mo

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Chapter 6: Investment Climate

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Openness to Foreign Investment

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Hong Kong became a Special Administrative Region (SAR) of the People's Republic of China (PRC) on July 1, 1997. Hong Kong's status since reverting to Chinese sovereignty is defined in the Sino-British Joint Declaration (1987) and the Basic Law, Hong Kong's constitution. Under the concept of "One Country, Two Systems" articulated in these documents, Hong Kong will retain its political, economic, and judicial systems for 50 years after reversion. Hong Kong pursues a free market philosophy with minimal government intervention. The Hong Kong Government (HKG) welcomes foreign investment, neither offering special incentives nor imposing disincentives for foreign investors. Hong Kong's well-established rule of law is applied consistently and without discrimination. There is no distinction in law or practice between investments by foreign-controlled companies and those controlled by local interests. Hong Kong is a member of the World Trade Organization in its own right as a separate customs territory. Hong Kong is a free port that does not levy any customs tariff except for excise duties on four commodities, namely: hard alcohol, tobacco, hydrocarbon oil, and methyl alcohol. There are no quotas or dumping laws. Starting from March 2013, the HKG imposed limits on the amount of baby formula individual travelers leaving Hong Kong can carry to a maximum of two cans per person, equivalent to 1.8 kg of baby formula. An export permit is required when the export amount exceeds the limit. Foreign firms and individuals are allowed freely to incorporate their operations in Hong Kong, register

branches of foreign operations, and set up representative offices without encountering discrimination or undue regulation. There is no restriction on the ownership of such operations. Company directors are not required to be citizens of, or resident in, Hong Kong. Reporting requirements are straightforward and not onerous.

Hong Kong's extensive body of commercial and company law generally follows that of the United Kingdom, including the common law and rules of equity. Most statutory law is made locally. The local court system provides for effective enforcement of contracts, dispute settlement, and protection of rights. Formalities are minimal in company incorporation and business registration. Foreign and domestic companies register under the same rules and are subject to the same set of business regulations.

The HKG's Invest Hong Kong department encourages inward investment as a means of introducing new or improved products, processes, designs, and management techniques. U.S. and other foreign firms can participate in government financed and subsidized research and development programs on a national treatment basis.

Capital gains are not taxed, nor are there withholding taxes on dividends and royalties. Profits can be freely converted and remitted. Foreign-owned and Hong Kong-owned company profits are taxed at the same rate – 16.5 percent. No preferential or discriminatory export and import policies affect foreign investors. Domestic industries receive no direct subsidies. Foreign investments face no disincentives, such as quotas, bonds, deposits, or other similar regulations. The Hong Kong Code on Takeovers and Mergers (1981) sets out general principles for acceptable standards of commercial behavior.

According to HKG statistics, 3,883 regional operations of overseas companies were registered in Hong Kong in 2012. The U.S. has the largest number of regional headquarters and offices in Hong Kong (869 companies), followed by Japan (675 companies), and the United Kingdom (332 companies). The major lines of business of the regional headquarters include wholesale/retail; import/export; finance and banking; manufacturing; professional, business, and education services; information technology services; and transportation, storage and courier services.

The HKG owns all land, granting long-term leases without transferring title. Local and foreign leaseholders are treated equally. The HKG plays a significant role in the housing market, with about 50 percent of homes in Hong Kong either rented from the Government or purchased with government assistance at below-market rates. In September 2012, in reaction to complaints about excessively high real estate prices for average Hong Kong residents, the HKG announced a pilot program to implement the "Hong Kong land for Hong Kong people" project to develop 1,100 new residential flats. These properties will be restricted to Hong Kong residents only. In October 2012, the HKG extended the existing Special Stamp Duty (SSD) on residential flats for three years and raised the rates from 15 percent to 20 percent for a resale within six months of purchase; from 10 percent to 15 percent for a resale with 6 to 12 months; and from 5 percent to 10 percent for a resale within 12 to 36 months. Meanwhile, the HKG introduced a 15 percent Buyer's Stamp Duty on all non-permanent-resident and corporate buyers, which expatriates claim discriminates against them. In February 2013, the HKG doubled the stamp duty to 8.5 percent from 4.25 percent to curb further surging property prices.

The main exceptions to the HKG's open foreign investment policy are:

--Broadcasting - Voting control of free-to-air television stations by non-residents is limited to 49 percent. There are also residency requirements for the directors of broadcasting companies.

--Legal Services - Foreign law firms may not hire local lawyers to advise on Hong Kong law, but may themselves become "local" firms after satisfying certain residency and other requirements. Localized firms may thereafter hire local attorneys, but must do so on a 1:1 basis with foreign lawyers. Foreign law firms also can form associations with local law firms.

Hong Kong has a free trade agreement (FTA) with mainland China, called the Closer Economic Partnership Arrangement (CEPA), which provides tariff-free export to mainland China of Hong Kong-origin goods and preferential access for specific services sectors. Signed in 2003, CEPA has gradually expanded every year thereafter. Following the ninth phase, announced in June 2012, service providers in 48 sectors (e.g., logistics, distribution) now enjoy preferential treatment on the mainland. U.S. and other foreign firms engaged in substantive business operations in Hong Kong over the past three to five years are eligible to take advantage of most CEPA concessions to enter the mainland market. The HKG plans to achieve "basic" service sector liberalization between Hong Kong and Guangdong Province by the end of 2014 and between Hong Kong and all of mainland China by the end of 2015.

Hong Kong also has FTAs with New Zealand (2010); member states of the European Free Trade Association – Iceland, Liechtenstein, Norway and Switzerland (2011); and Chile (2012). These agreements are fully consistent with the provisions of the World Trade Organization. In April 2013, the HKG announced that it would negotiate with ASEAN on a bilateral basis for an ASEAN-Hong Kong FTA. Finally, Hong Kong is an Asia-Pacific Economic Co-operation (APEC) member economy and a participant in the APEC Business Travel Card (ABTC) Scheme, which grants qualified business travelers streamlined immigration clearance.

Rankings:

Measure	Year	Index/Ranking
TI Corruption Index	2012	14th
Heritage Economic Freedom	2013	1st
World Bank Doing Business	2012	2nd
Legatum Prosperity Index	2012	18th
WEF Global Competitiveness Report	2012	9th

Conversion and Transfer Policies

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Conversion and inward/outward transfers of funds for any purpose are not restricted. The Hong Kong dollar is a freely convertible currency that, since late 1983, has been linked via a de facto currency board to the U.S. dollar at an exchange rate that is allowed to fluctuate in a narrow band between HK\$7.75 – HK\$7.85 = US\$1.

Expropriation and Compensation

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The U.S. Consulate General is not aware of any expropriation actions in the recent past. Expropriation of private property may occur if it is clearly in the public interest, but only for well-defined purposes such as implementation of public works projects. If this is the case, expropriations are to be conducted through negotiations, in a non-discriminatory manner in accordance with established principles of international law. Due process and transparency are to be observed. Investors in and lenders to expropriated entities are to receive prompt, adequate, and effective compensation. Property may be acquired under the State Land Resumption Ordinance, the Land Acquisition Ordinance, the Mass Transit Railway (Land Resumption and Related Provisions) Ordinance, or the Roads Ordinance. These ordinances provide for payment of compensation. If agreement cannot be reached on the amount payable, either party can refer the claim to the Land Tribunal.

Dispute Settlement

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Hong Kong's legal system is firmly based on the rule of law and the independence of the judiciary. Courts of justice in Hong Kong include the Court of Final Appeal, the High Court (composed of the Court of Appeal and the Court of First Instance), the District Court, the Magistrate's Courts, the Coroner's Court, and the Juvenile Court. Tribunals include the Lands Tribunal, Labor Tribunal, and other statutory tribunals.

The U.S. Consulate General is not aware of any investor-state disputes in recent years involving U.S. or other foreign investors or contractors and the HKG. The Hong Kong Department of Justice is also not aware of any such disputes. Private investment disputes are normally handled in the courts or via private negotiation. Alternatively, disputes may be referred to the Hong Kong International Arbitration Center.

The HKG accepts international arbitration of investment disputes between itself and investors. Following reversion to Chinese sovereignty on July 1, 1997, Hong Kong applies provisions of the International Center for the Settlement of Investment Disputes (ICSID), known as the Washington Convention, and the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards. Hong Kong has also adopted the United Nations Commission on International Trade Law (UNCITRAL) model law for international commercial arbitration. Since 1999, Hong Kong and mainland China have maintained a Memorandum of Understanding on an arrangement parallel to the New York Convention for the reciprocal enforcement of arbitral awards.

In 2010, the Legislative Council passed a new Arbitration Ordinance. The ordinance, which came into force in June 2011, represents a major reform of arbitration law in Hong Kong, abolishing the previous distinction between domestic and international arbitration and adopting a unitary regime based on the UNCITRAL Model Law. The HKG intends to use the new arbitration law to help promote Hong Kong as a regional center for dispute resolution. In June 2012, the Legislative Council passed a new Mediation Bill to provide a regulatory framework for mediation, fortifying Hong Kong's status as an international dispute resolution center. The mediation legislation, which came into effect on January 1, 2013, deals with the rights and obligations of participants in mediation especially in relation to confidentiality and admissibility of mediation communications in

evidence. In January 2013, Hong Kong and Macau signed an agreement on mutual enforcement of arbitral awards because the New York Convention (NYC) does not apply between the two cities of the same contracting state, China. The pact, which based on the NYC, is expected to enhance Hong Kong's role as a regional arbitration center for commercial disputes.

Performance Requirements and Incentives

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Consistent with its principle of "Big Market, Small Government," and "Market Leads, Government Facilitates," Hong Kong imposes no export performance or local content requirements as a condition for establishing, maintaining, or expanding a foreign investment. Hong Kong offers no special privileges to attract foreign investment. There are no requirements that Hong Kong residents own shares, that foreign equity be reduced over time, or that technology be transferred on certain terms.

Right to Private Ownership and Establishment

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Hong Kong law and regulations provide for the right of foreign and domestic private entities to establish, own, and dispose of interests of business enterprises. Foreign investors are allowed, except for the sectors noted above, to engage in all lawful forms of remunerative activity. The HKG does not generally engage directly in business activity via public enterprises. Business privileges, franchises, and land development rights are granted on the basis of competitive equality.

Protection of Property Rights

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Hong Kong's commercial and company laws provide for effective enforcement of contracts and protection of corporate rights. Hong Kong has filed its notice of compliance with the trade-related intellectual property (TRIPs) requirements of the World Trade Organization. The Intellectual Property Department, which includes the Trademarks and Patents Registries, is the focal point for the development of Hong Kong's intellectual property regime. The Customs and Excise Department (HKCED) is the sole enforcement agency for intellectual property rights (IPR). Hong Kong has acceded to the Paris Convention for the Protection of Industrial Property, the Bern Convention for the Protection of Literary and Artistic Works, and the Geneva and Paris Universal Copyright Conventions. Hong Kong also continues to participate in the World Intellectual Property Organization, as part of mainland China's delegation; and has seconded an officer from the HKCED to INTERPOL in Lyon, France, to further collaborate on IPR enforcement.

The HKG devotes significant attention and resources to IPR enforcement. Enforcement of laws passed in recent years, including aggressive raids at the retail level and corresponding criminal prosecutions, has significantly reduced illegal production and retail sales of copyright and trademark protected products. The Hong Kong courts have imposed longer jail terms than in the past for violations of Hong Kong's copyright ordinance. In addition, the HKCED works closely with foreign customs agencies and the World Customs Organization to share best practices and to identify, disrupt, and

dismantle criminal organizations engaging in IP theft that often operate in multiple countries. The government has conducted public education efforts to encourage respect for IPR. Nevertheless, pirated and counterfeit products remain available on a small scale at the retail level throughout Hong Kong. The remaining sellers of infringing goods tend to keep a small stock of items and are highly mobile.

Other IPR challenges include end-use piracy of software and textbooks, the rapid growth of Internet peer-to-peer downloading, and the illicit importation and transshipment of pirated and counterfeit goods from mainland China and other places in Asia. Hong Kong authorities have taken steps to address these challenges by strengthening collaboration with mainland Chinese authorities, prosecution of software end-use piracy, and monitoring of suspect shipments at points of entry. In addition, the HKG has established a task force to monitor and crack down on Internet-based peer-to-peer piracy and reviewed ways to strengthen copyright protection in the digital environment. In early 2013 HKCED opened a new Electronic Crime Investigation Center (ECIC).

Health authorities continue to permit the registration of generic drugs for marketing without regard to whether these products infringe on valid patents. Despite extensive consultations with industry, no progress has been made on establishing effective patent linkages.

The Copyright Ordinance protects any original copyright work created or published by any person anywhere in the world. In 2007, the government amended the Copyright Ordinance, criminalizing the copying and distribution of infringing printed works in business and the act of circumventing technological protection measures. The amendments provide rental rights for sound recordings, computer programs, films, and comic books, and include enhanced penalty provisions and other legal tools to facilitate enforcement. The amended ordinance also decriminalizes parallel imports of copyrighted products 15 months after their release anywhere in the world, although it maintained civil penalties. The law continues to define possession of an infringing copy of computer programs, movies, TV dramas, and musical recordings (including visual and sound recordings) for use in business as an offense, but provides no criminal liability for other categories of works.

Over the past few years the HKSAR government has consulted unsuccessfully with Internet Service Providers and content user representatives on a voluntary framework for IPR protection in the digital environment. In June 2011, the government introduced an amended copyright bill to the Legislative Council (LegCo) for debate. In June 2012, the government shelved the bill. Prospects for the introduction of new copyright legislation in 2013 are uncertain.

The Patent Ordinance allows for granting of an independent patent in Hong Kong based on the patents granted by the UK and China. The patent granted in Hong Kong is independent and capable of being tested for validity, rectified, amended, revoked and enforced in Hong Kong courts. In 2011, the government initiated a public comment process to ensure that the patents system continues to meet the most modern standards and is well suited to Hong Kong's development into a regional innovation and technology hub.

The Registered Design Ordinance is modeled on the EU design registration system, with certain modifications. To be registered, a design must be new. The system requires no

substantive examination. Protection is for an initial period of five years and may be extended for four periods of five years each, up to a maximum of 25 years.

Hong Kong's trademark law is TRIPS-compatible and allows for registration of trademarks relating to services. All trademark registrations originally filed in Hong Kong are valid for seven years and renewable for 14-year periods. Proprietors of trademarks registered elsewhere must apply anew and satisfy all requirements of Hong Kong law. When evidence of use is required, such use must have occurred in Hong Kong.

Hong Kong has no specific ordinance to cover trade secrets; however, the government has a duty under the Trade Description Ordinance to protect information being disclosed to other parties. The Trade Description Ordinance prohibits false trade descriptions, forged trademarks, and misstatements in respect of goods supplied in the course of trade. The law was amended in July 2012 to extend coverage to services.

Transparency of Regulatory System

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Hong Kong's body of law and regulation recognizes the value of competition in economic activity. Regulations and policies typically strive to avoid distortions or impediments to the efficient mobilization and allocation of investment. Bureaucratic procedures and "red tape" are held to a minimum and are equally transparent to local and foreign investors. In July 2010, the government introduced legislation to regulate price-fixing, bid-rigging, market allocation, output control, and the abuse of a substantial degree of market power. In June 2012, after intense public discussion, LegCo passed the bill, which included amendments to address concerns raised by small-and medium-sized enterprises. The government will introduce the law in two phases. The establishment of the Competition Commission and publication of guidelines for enforcement became effective in January 2013, while the Competition Tribunal will come into operation in August 2013. Pending implementation of the new law, only the telecommunications and, to a lesser degree, the broadcasting sectors have competition regulations in place. Those two sectors are specifically excluded from the new Competition Law. Analysts have noted that some sectors of the economy (e.g. energy and real estate) are dominated by monopolies or cartels.

Efficient Capital Markets and Portfolio Investment

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There are no impediments to the free flow of financial resources. Non-interventionist economic policies, complete freedom of capital movement, and a well-understood regulatory and legal environment have greatly facilitated Hong Kong's role as a regional and international financial center. Hong Kong has one of the most active foreign exchange markets in Asia.

Hong Kong has a three-tier system of deposit-taking institutions: licensed banks, restricted license banks, and deposit-taking companies. Only licensed banks can offer current (checking) or savings accounts. In March 2013, Hong Kong had 155 licensed banks, 21 restricted licensed banks, 24 deposit-taking institutions, and 60 representative offices. The Hong Kong & Shanghai Banking Corporation (HSBC) is Hong Kong's largest banking group. With its majority-owned subsidiary Hang Seng Bank, and 166 branches, the group controls more than 30.3 percent of Hong Kong dollar deposits. The

Bank of China (Hong Kong) is the second-largest banking group, controlling 15.2 percent of Hong Kong dollar deposits throughout 215 branches. Thirty-five U.S. "authorized financial institutions" operate in Hong Kong. Most banks in Hong Kong maintain U.S. correspondent relationships. In December 2011, the government introduced the Banking Amendments Bill to the Legislative Council. The main purpose of the bill is to set out the legal framework for implementing the Basel III capital, liquidity, and disclosure requirements in Hong Kong. The Legislative Council passed the bill in March 2012. Hong Kong has begun implementing the new capital standards from January 2013 in phases, with full implementation expected by January 2019.

Hong Kong's five largest banks, in terms of total assets (2011)

Rank	Institution	Total Assets (US\$ Billions)
1	Hong Kong & Shanghai Banking Corp (HSBC)	718.9
2	Bank of China (Hong Kong)	215.7
3	Hang Seng Bank Ltd.	125.1
4	Standard Chartered Bank, Hong Kong Branch	109.5
5	Bank of East Asia, Ltd.	78.4

Sources: Companies' annual reports

Credit in Hong Kong is allocated strictly on market terms and is available to foreign investors on a non-discriminatory basis. The private sector has access to the full spectrum of credit instruments as provided by Hong Kong's banking and financial system. Legal, regulatory, and accounting systems are transparent and consistent with international norms. The Hong Kong Monetary Authority (HKMA) functions as a de facto central bank. It is responsible for maintaining the stability of the banking system and managing the Exchange Fund that backs Hong Kong's currency. The HKMA, with the assistance of the banking sector, has upgraded Hong Kong's financial market infrastructure. Real Time Gross Settlement helps minimize risks in the payment system and brings Hong Kong in line with international standards.

The Hong Kong Mortgage Corporation (HKMC, wholly-owned by the government), promotes the development of the secondary mortgage market in Hong Kong. The HKMC purchases residential mortgage loans for its own retained portfolio and also repackages mortgages into mortgage-backed securities for sale. In February 2013 (the latest figures available), the HKMC's outstanding amount of debt totaled US\$4.9 billion.

In 2006, a Deposit Protection Scheme (DPS) began operation. Depositors are now protected up to a maximum of HK\$100,000 (US\$12,820) per bank. As a result of the global financial crisis in late 2008, the HKG announced the use of the Exchange Fund to guarantee the repayment of all customer deposits in Hong Kong-dollars and foreign-currency held with licensed banks, restricted license banks, and deposit-taking companies, including Hong Kong branches of overseas institutions. The original DPS ended in 2010. In June 2010, the Legislative Council passed the Deposit Protection Scheme (Amendment) Ordinance, which took effect on January 1, 2011, and raises the DPS protection limit from HK\$100,000 (US\$12,820) to HK\$500,000 (US\$64,100). The assets of the DPS Fund (funded through contributions by member banks) amounted to US\$164.6 million at the end of March 2010 and are expected to reach the target amount of US\$448.7 million by 2012. While Hong Kong requires locally licensed banks to

participate, overseas-incorporated banks may apply for an exemption if a comparable scheme in their home jurisdiction covers deposits taken in by its Hong Kong branches.

In 2004, the Hong Kong Monetary Authority (HKMA) and Dun & Bradstreet (HK) Ltd. (D&B) jointly launched a Commercial Credit Reference Agency (CCRA) to collate information about the indebtedness and credit history of small and medium-sized enterprises (SMEs) and make such information available to members of the Hong Kong Association of Banks (HKAB) and the Hong Kong Association of Deposit Taking Companies.

Under the Insurance Companies Ordinance, insurance companies are authorized by the Insurance Authority to transact business in Hong Kong. As of March 2013, there were 154 authorized companies in Hong Kong. Of these, 70 were foreign companies (from 20 countries) and two were mainland-Chinese enterprises. A number of the world's top insurance companies in terms of assets have branch offices or subsidiaries in Hong Kong.

Hong Kong's total market capitalization dropped by 22 percent during 2012 to US\$2.7 trillion, with 1,543 listed firms as of year-end 2012. Hong Kong's stock exchange ranked second in Asia after Tokyo, and sixth in the world in terms of capitalization. Hong Kong Exchanges and Clearing Limited (HKEx), a listed company, operates the stock and futures exchanges. In June 2011, Samsonite International S.A. became the first U.S.-based company to list on the Hong Kong stock market, followed in December by luxury-brand Coach, the first U.S.-domiciled company to list. The Securities and Futures Commission, an independent statutory body outside the civil service, has licensing and supervisory powers to ensure the integrity of markets and protection of investors.

No discriminatory legal constraints exist for foreign securities firms establishing operations in Hong Kong via branching, acquisition, or subsidiaries. In practice, foreign firms typically establish operations in Hong Kong in the form of subsidiaries. Rules governing operations are the same, irrespective of ownership. Portfolio investment decisions are left to the private sector. No laws or regulations specifically authorize private firms to adopt articles of incorporation/association that limit or prohibit foreign investment, participation, or control.

The stock exchange plays a significant role in raising capital for Chinese state-owned enterprises. Chinese state enterprises raise equity (through the issuance of so-called "H" shares) in Hong Kong provided they meet Hong Kong regulatory and accounting requirements. These "H" shares are denominated in Renminbi (RMB), but must be purchased in Hong Kong Dollars. In 2012, a total of 176 Chinese enterprises had "H" share listings on the stock exchange, with market capitalization of US\$627.7 billion.

Hong Kong has made a concerted effort to develop a local debt market with the Exchange Fund bills and notes program. Maturities now extend to ten years. Hong Kong Dollar debt (public and private) has increased gradually, from US\$3.46 billion at the end of 1989 to US\$167.8 billion by the end of 2012. Since July 2007 when the PRC Government approved the sales of RMB-denominated bonds in Hong Kong, 294 billion RMB (US\$47.5 billion) of offshore RMB bonds were issued in Hong Kong (as of end

2012). The range of issuers has diversified, including a number of multinational enterprises such as McDonald's, Caterpillar, Unilever, and Volkswagen. Regional infrastructure financing requirements and increasing investor demand are projected to stimulate further development of the local debt market. The HKG requires workers and employers to contribute to retirement funds under the Mandatory Provident Fund (MPF) scheme. Contributions are expected to channel roughly US\$5 billion annually into various investment vehicles. By the end of 2012, the net asset values of MPF funds amounted to US\$56.4 billion.

Competition from State Owned Enterprises

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Although Hong Kong is a free-market economy, the government provides more than half the population with subsidized housing, the vast majority of hospital services, and most education services from childhood through the university level. The government also owns major business enterprises such as the stock exchange, the railway company, and the airport.

Conflicts occasionally arise between the government's respective roles as both owner and policy-maker. Industry observers have recommended that the government establish a separate entity to coordinate its ownership of government-held enterprises and initiate a transparent process of nomination to the boards of government-affiliated entities. Other recommendations from the private sector include establishment of a clear separation between industrial policy and the government's ownership function and minimizing exemptions of government-owned enterprises from general laws. The Exchange Fund, for example, is exempt from the securities disclosure laws in its purchases of shares, and makes its disclosures only on a voluntary basis.

Hong Kong has a total of 581 government-affiliated enterprises (also known as "statutory bodies"). The 2012 Competition Law exempts all but six of the statutory bodies from the law's purview. While the government's private sector ownership interests do not materially impede competition in Hong Kong's most important economic sectors (e.g., banking, external trade, tourism), private sector industry representatives have encouraged the government to adhere more closely to the OECD's Guidelines on Corporate Governance of State-owned Enterprises.

Corporate Social Responsibility

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In April 2010, the Hong Kong Productivity Council (HKPC) announced the launch of the Hong Kong Corporate Citizenship Program (HKCCP) to raise awareness of corporate citizenship among local enterprises and to assist them in adopting it as their business strategies. HKCCP organizes a series of activities including awards such as "The Hong Kong Outstanding Corporate Citizenship Award" and as well as seminars and workshops. In July 2012, the Legislative Council passed amendments to the Companies Ordinance that embrace corporate social responsibility by mandating listed companies as well as larger private companies to report on their corporate environmental policies and performances.

Political Violence

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Hong Kong is politically stable. Demonstrations are almost always peaceful. The U.S. Consulate General is not aware of any recent incidents involving politically motivated damage to projects or installations.

Corruption

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Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U.S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

U.S. Foreign Corrupt Practices Act: In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at: <http://www.justice.gov/criminal/fraud/>

Other Instruments: It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. Both Hong Kong and Macau are party to the United Nations Convention against Corruption, but generally all countries prohibit the bribery and solicitation of their public officials.

OECD Antibribery Convention: The OECD Antibribery Convention entered into force in February 1999. As of March 2009, there are 38 parties to the Convention including the United States (see <http://www.oecd.org/dataoecd/59/13/40272933.pdf>). Major exporters China, India, and Russia are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA. Hong Kong is not a party to the OECD Convention.

UN Convention: The UN Anticorruption Convention entered into force on December 14, 2005, and there are 158 parties to it as of November 2011 (see <http://www.unodc.org/unodc/en/treaties/CAC/signatories.html>). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. China is a member, under which Hong Kong and Macau are included.

OAS Convention: In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the OAS Convention has 34 parties (see <http://www.oas.org/juridico/english/Sigs/b-58.html>) and does not include China, Hong Kong or Macau.

Council of Europe Criminal Law and Civil Law Conventions: Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 49 member States (48 European countries and the United States). As of December 2011, the Criminal Law Convention has 43 parties and the Civil Law Convention has 34 (see www.coe.int/greco.) Hong Kong is not a party of the Council of Europe Conventions.

Free Trade Agreements: While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: <http://www.ustr.gov/trade-agreements/free-trade-agreements>. Hong Kong and Macau do not have free trade agreement in place with the United States.

Local Laws: U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department’s U.S. and Foreign Commercial Service can provide assistance with navigating the host country’s legal system and obtaining a list of local legal counsel.

Assistance for U.S. Businesses: The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company’s overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at www.trade.gov/cs.

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department’s Advocacy Center and State’s Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center “Report A Trade Barrier” Website at tcc.export.gov/Report_a_Barrier/index.asp.

Guidance on the U.S. FCPA: The Department of Justice’s (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department’s present enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ’s Fraud Section Website at www.justice.gov/criminal/fraud/fcpa. Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, at http://www.ogc.doc.gov/trans_anti_bribery.html. More general information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

Hong Kong has an excellent track record in combating corruption. U.S. firms have not identified corruption as an obstacle to foreign direct investment. The Independent Commission Against Corruption (ICAC) is responsible for combating corruption. The ICAC is independent of the public service and the ICAC Commissioner is responsible directly to the Chief Executive. A bribe to a foreign official is a criminal act, as is the giving or accepting of bribes, for both private individuals and government employees. Penalties are stiff. For example, a civil servant who solicits or accepts any advantage without special permission of the Government can receive one year's imprisonment and a HK\$100,000 (US\$12,820) fine if convicted. Individuals in both the private and public sector can receive up to seven years imprisonment and a HK\$500,000 (US\$64,100) fine for offering, soliciting, or accepting a benefit for performance or non-performance of an official duty.

Anti-Corruption Resources

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a “Lay-Person’s Guide to the FCPA” is available at the U.S. Department of Justice’s Website at: <http://www.justice.gov/criminal/fraud/fcpa>.
- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: http://www.oecd.org/departement/0,3355,en_2649_34859_1_1_1_1_1,00.html. See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: <http://www.oecd.org/dataoecd/11/40/44176910.pdf>.
- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: http://www.ogc.doc.gov/trans_anti_bribery.html.
- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: http://www.transparency.org/policy_research/surveys_indices/cpi/2009. TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See <http://www.transparency.org/publications/gcr>.
- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 213 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See <http://info.worldbank.org/governance/wgi/index.asp>. The World Bank Business

Environment and Enterprise Performance Surveys may also be of interest and are available at: <http://data.worldbank.org/data-catalog/BEEPS>.

- The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See <http://www.weforum.org/s?s=global+enabling+trade+report>.
- Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at <http://www.state.gov/g/drl/rls/hrrpt/>.
- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 106 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: <http://report.globalintegrity.org/>.

Bilateral Investment Agreements

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To date, Hong Kong has signed agreements with Australia, Austria, Belgo-Luxembourg Economic Union, Denmark, Finland, France, Germany, Italy, Japan, Korea, Kuwait, the Netherlands, New Zealand, Sweden, Switzerland, Thailand and the United Kingdom. The HKG has tentative agreements with Canada and Vietnam and is negotiating agreements with Chile, Singapore and Russia. All such agreements are based on a model text approved by mainland China through the Sino-British Joint Liaison Group. The United States and Hong Kong held talks on a bilateral investment agreement in the late 1990s, but certain differences could not be resolved and negotiations were suspended. U.S. firms, however, are generally not at a competitive or legal disadvantage, since Hong Kong's market is open and its legal system impartial.

OPIC and Other Investment Insurance Programs

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Overseas Private Investment Corporation (OPIC) coverage is not available in Hong Kong. Hong Kong is a member of the World Bank Group's Multilateral Investment Guarantee Agency (MIGA).

Labor

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In the 1980s and much of the 1990s, Hong Kong's unemployment rate hovered around two percent. Reflecting structural changes in the local economy and weak global economic conditions, Hong Kong's unemployment rate rose slightly to 3.5 percent by the end of March 2013. The Employees Retraining Board provides skills retraining for local employees to cope with ongoing structural change in the economy. To address a shortage of highly skilled technical and financial professionals, the HKG has made efforts to attract qualified foreign and mainland-Chinese workers. As of July 2003,

conditions for admitting mainland Chinese for employment were eased and aligned with those applicable to foreign nationals.

In 2011 (latest available figure), membership in Hong Kong's 788 registered unions totaled 792,887, a participation rate of about 23.6 percent. Hong Kong has implemented 41 conventions of the International Labor Organization in full and 18 others with modifications.

Local law provides for the right of association and the right of workers to establish and join organizations of their own choosing. The government does not discourage or impede the formation of unions. Workers who allege discrimination against unions have the right to have their cases heard by the Labor Relations Tribunal. Although legislation does not prohibit strikes, in practice most workers must sign employment contracts that state that walking off the job is a breach of contract and can lead to summary dismissal. Collective bargaining is legal in Hong Kong, but there is no obligation on employers to engage in it. In practice, collective bargaining is not widely used. For more information on labor regulations in Hong Kong, please check the following website: www.labour.gov.hk/eng/legislat/contentA.htm (click on Chapter 57 "Employment Ordinance").

On January 5, 2011, the Legislative Council passed the Hong Kong's first statutory minimum hourly wage, which is set at HK\$28 (US\$3.6) and went into force on May 1, 2011. In December 2012, the government decided to raise the minimum hourly wage to HK\$30 (US\$3.8), effective from May 1, 2013.

Foreign-Trade Zones/Free Ports

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Hong Kong is a free port without foreign trade zones. Hong Kong's modern and efficient infrastructure supports Hong Kong's role as a trade entrepôt and regional financial and services center. Rapid growth has placed severe demands on that infrastructure, necessitating plans for major new investments over the next few years in transportation and shipping facilities. Significant elements include a planned expansion of container terminal facilities, additional roadway and railway networks, major residential/commercial developments, community facilities, environmental protection projects, and redevelopment of the old Kai Tak Airport. Regarding the airport, the HKG is planning to spend over US\$13 billion in the next decade to redevelop it into a modern green zone that contains government offices, public housing, commercial centers, and cruise terminals. Construction at the site began in July 2009, and the cruise terminal will be completed in mid-2013. The HKG has conditionally approved the proposal to build a third runway at Hong Kong International Airport, and an environmental impact assessment is underway. It is expected that the construction work on the proposed third runway will commence in 2015.

Foreign Direct Investment Statistics

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Table 1: Stock of Inward Foreign Direct Investment by Major Investor Country/Territory, as of end of 2011.

Country	US\$ Billion	% Share of Total
China	390.1	48.3%

British Virgin Islands	76.1	9.4%
Netherlands	75.6	9.4%
Bermuda	71.8	8.9%
United States	46.0	5.7%
Japan	24.5	3.0%
Singapore	23.4	2.9%
United Kingdom	13.5	1.7%
Cayman Islands	12.3	1.5%
Cook Islands	9.6	1.2%
Others	65.3	8.1%
Total	808.3	100.0%

Notes: 1. Source: Hong Kong Census and Statistics Department
2. Excluding inward direct investment from offshore financial centers, which were originally from Hong Kong.
3. US\$1 = HK\$7.8

Table 2: Stock of Inward Foreign Direct Investment by Major Economic Activity, as of end of 2011.

Activity	US\$ Billion	% of Total
Investment holdings, real estate and various business services	486.5	60.2%
Banking	104.8	13.0%
Wholesale, retail, import/export trades	92.8	11.5%
Financial institutions (non-banks)	34.4	4.3%
Insurance	26.7	3.3%
Transport, storage, postal and courier services	20.6	2.5%
Construction	13.5	1.7%
Manufacturing	10.3	1.3%
Information and communications	5.4	0.7%
Accommodation and food services	3.0	0.4%
Other activities	10.2	1.3%
Total	808.3	100.0%

Notes: 1. Source: Hong Kong Census and Statistics Department
2. Excluding inward direct investment from offshore financial centers, which were originally from Hong Kong.
3. Total does not sum due to rounding.

Table 3: Stock of Outward Foreign Direct Investment by Major Resident Country/Territory, as at end of 2011.

Country	US\$ Billion	% Share of Total
China	429.0	57.0%
British Virgin Islands	167.5	22.2%
United Kingdom	27.0	3.6%
Bermuda	23.6	3.1%
Cayman Islands	12.9	1.7%
Australia	12.2	1.6%
Luxembourg	10.8	1.4%
Canada	9.7	1.3%
United States	9.6	1.3%
Singapore	6.7	0.9%
Others	44.0	5.8%
Total	753.1	100.0%

Notes: 1. Source: Hong Kong Census and Statistics Department
2. Excluding outward direct investment of offshore financial centers which were channeled back to Hong Kong.
3. Total does not sum due to rounding.

Table 4: Stock of Outward Foreign Direct Investment by Major Economic Activity, as of end of 2011.

Activity	US\$ Billion	% of Total
Investment holdings, real estate and various business services	525.4	69.8%
Wholesale, retail, import/export trades	59.8	7.9%
Banks and deposit-taking companies	37.2	4.9%
Manufacturing	25.4	3.4%
Transportation, storage, postal and courier	23.7	3.1%
Insurance	19.9	2.6%
Accommodation and food services	7.4	1.0%
Construction	7.1	0.9%
Financial institutions (non-banks)	6.4	0.8%
Information and communications	5.4	0.7%
Other activities	35.4	4.7%
Total	753.1	100.0%

Notes: 1. Source: Hong Kong Census and Statistics Department
2. Excluding outward direct investment of offshore financial centers that were channeled back to Hong Kong.

Table 5: Amount and Growth of U.S. Investment in Hong Kong

Year	Amount	% Change
2005	36.4	11.3
2006	39.6	8.8
2007	40.7	2.8
2008	40.0	-1.7
2009	49.7	24.3
2010	48.2	-3.0
2011	52.5	8.9

Notes: 1. Unit: US\$ billions
2. Source: U.S. Department of Commerce, Bureau of Economic Analysis, U.S. Direct Investment Position Abroad on a Historical Cost Basis.
3. The U.S. Department of Commerce estimates the total U.S. direct investment position in Hong Kong at historical cost (the book value of U.S. direct investors' equity in, and net outstanding loans to, their foreign affiliates).
4. U.S. Department of Commerce statistics differ from HKG statistics. Per Table 1 above, the latter indicates total U.S. investments of US\$46.0 billion at year-end 2011.
5. Preliminary figures for 2011.

Table 6: Hong Kong's Pledged and Actual Direct Investment in mainland China

Year	Amount Pledged	Invested	Percent Share of Total
2004	50.1	19.0	31.3%
2005	N.A.	18.0	29.9%
2006	N.A.	20.2	32.1%
2007	N.A.	27.7	37.2%
2008	N.A.	41.0	44.4%
2009	N.A.	54.0	60.0%
2010	N.A.	67.5	63.8%
2011	N.A.	77.0	66.4%
2012	N.A.	71.3	63.8%
1978-2012	N.A.	618.3	48.4%

Notes: 1. Unit: US\$ billions and percent share of total investment in China.
2. Source: PRC Ministry of Commerce.
3. PRC Ministry of Commerce stopped reporting the pledged foreign investment figures in December 2005.

Major Foreign Investor Firms:

Asia ex-Japan: Allahabad Bank, C.P. Pokphand, First Pacific Group, LG, Lippo Group, News Corp., Park View Properties, Pioneer, San Miguel Brewery, Shangri-la/Kerry Trading, Sime Darby, UTI Bank, Fubon Bank, CoCo Fresh Tea & Juice.

Continental Europe: Asea Brown Boveri, Bachy-Soletanches, Banque Indosuez, Banque National de Paris, Bouygues/Dragages, Carlsberg, Cartier, Chanel, Christian Dior, Electrolux, Ericsson, Heraeus, Hong Kong Petrochemicals (Italian/Korean/Chinese joint venture), Lotto Sport Italia, Philips, Refratechnik, Remy, Siemens, Tetrapak, Hohenstein Institute, Piquadro, Massimo Bonini, Stibbe, Pictet & Cie, Prada, Louis Vuitton.

Japan: C. Itoh, Citizen Watches, Daido Concrete, Hitachi, Jusco, Kadokawa Intercontinental Publishing (Asia), Mitsubishi, NEC, Nishimatsu, Nomura, Olympus, Uny, Congress Corporation, Yamato Transport, AEON, Primo.

Mainland China: Bank of China (Hong Kong), Beijing Enterprises, China Construction Bank Corporation, China Everbright, China Investment and Trust Corporation (CITIC), China Life Insurance, China Merchants, China Mobile, China National Offshore Oil Corporation (CNOOC), China National Petroleum Corporation, China Ocean Shipping Co (COSCO), China Overseas Construction, China Resources, China Travel Services, China Unicom, Guangdong Enterprises, Lenovo Group, Petro China, Shanghai Industrial, Yue Xiu Enterprises, Industrial and Commercial Bank of China (Asia), Gome, Aimer, Noah, China Chengxin Credit Rating Group.

United Kingdom: HSBC, Inchcape Pacific, Jardine Matheson, Lloyds, P & O Shipping, Standard Chartered Bank, Swire Pacific Group, Wm Morrison.

United States: American International Group, AT&T, Bank of America, Caltex, Citigroup, Coca-Cola, Compaq Computer, Dell, Disney, ExxonMobil, Federal Express, Goldman Sachs, IBM, Isagenix Worldwide LLC, JP Morgan Chase, Kodak, Merrill Lynch, Morgan Stanley, Motorola, Pacific Waste Management, Pepsi, Apple, Garrett Popcorn, Ralph Lauren, Coach, Gap, Abercrombie & Fitch.

Web Resources

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Hong Kong Census and Statistics Department: www.censtatd.gov.hk

Hong Kong Monetary Authority: www.info.gov.hk/hkma/

Independent Commission Against Corruption: www.icac.org.hk

Macau

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Openness to Foreign Investment

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Macau became a Special Administrative Region (SAR) of the People's Republic of China (PRC) on December 20, 1999. Macau's status since reverting to Chinese sovereignty is defined in the Sino-Portuguese Joint Declaration (1987) and the Basic Law, Macau's constitution. Under the concept of "One Country, Two Systems" articulated in these documents, Macau is promised a high degree of autonomy in economic matters and its economic system is to remain unchanged for fifty years. The Government of Macau (GOM) maintains a transparent, non-discriminatory, and free-market economy. Macau has separate membership in the World Trade Organization (WTO).

The GOM aims to diversify Macau's economy by attracting foreign investment and is committed to maintaining an investor-friendly environment. Corporate taxes are low. The tax rate is 12 percent for companies whose net profits exceed US\$37,500 (300,000 Patacas). For net profits less than US\$37,500, the tax ranges from three percent to 12 percent. The top personal tax rate is 12 percent; however, the tax rate of casino concessionaires is 35 percent on gross gaming revenue, plus a four percent contribution for culture, infrastructure, tourism, and a social security fund.

In 2002, the GOM ended a long-standing gaming monopoly, awarding two gaming concessions to consortia with U.S. interests. This opening has encouraged substantial U.S. investment in casinos and hotels, and has spurred exceptionally rapid economic growth over the last few years. Macau is positioning itself to be a regional center for gaming, incentive travel, conventions, and tourism.

In 2004, Macau and the PRC implemented a free trade agreement, the Closer Economic Partnership Arrangement (CEPA). The agreement is similar to the Hong Kong-PRC CEPA. Macau's CEPA currently provides tariff-free access to mainland China for all Macau-origin products and preferential treatment for 48 service sectors. The GOM plans to achieve "basic" service sector liberalization between Macau and Guangdong Province by the end of 2014 and between Macau and all mainland China by the end of 2015. In 2005, the Government inaugurated a cross-border industrial zone located between the northern part of Macau and Zhuhai. Eleven manufacturers are operating in the industrial zone.

Macau is heavily dependent on the gaming sector and tourism industries. In addition, a single product category – textiles and apparel – accounts for approximately 12.9 percent of its goods exports. In 2012, Macau's textile and apparel exports decreased by 21.3 percent, the result of continued decline since the elimination of the textile quota system at the end of 2004.

Foreign firms and individuals are free to establish companies, branches and representative offices without discrimination or undue regulation in Macau. There are no restrictions on the ownership of such establishments. Company directors are not required to be citizens of, or resident in, Macau.

Since 2001, the GOM has been steadily liberalizing the telecommunications sector. The GOM has already liberalized the mobile phone market and Internet services. In November 2011, Macau Chief Executive Fernando Chui announced plans to liberalize the fixed-line public telecommunications network, which is monopolized by Companhia de Telecomunicações de Macau (CTM) under a concessionary contract, which expired at the end of 2011. In early 2013, the GOM announced that it had received only tender for the fixed-line public telecommunications network and would issue a new license in 2013.

Certain residency requirements are imposed on three professional services sectors as described below:

- Education - an individual applying to establish a school must have a Macau Certificate of Identity or have the right to reside in Macau. The principal of a school must be a Macau resident.
- Newspapers and magazines - applicants must first apply for business registration and register with the Government Information Bureau as an organization or an individual. The publisher of a newspaper or magazine must be a Macau resident or have the right to reside in Macau.
- Legal services - lawyers from foreign jurisdictions who seek to practice Macau law must first obtain residency in Macau. Foreign lawyers must also pass an examination before they can register with the Lawyer's Association, a self-regulatory body. The examination is given in Chinese or Portuguese. After passing the examination, foreign lawyers are required to serve an 18-month internship before they are able to practice law in Macau.

Rankings

Measure	Year	Index/Ranking
TI Corruption Index	2012	N/A (excluded this year)
Heritage Economic Freedom	2013	26th

Conversion and Transfer Policies

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Profits and other funds associated with an investment, including investment capital, earnings, loan repayments, lease payments, and capital gains, can be freely converted and remitted. The domestic currency, Macau Official Pataca (MOP), is pegged to the

Hong Kong Dollar at 1.03 and indirectly to the U.S. Dollar at an exchange rate of approximately MOP7.99 = US\$1. The Monetary Authority of Macau, the de facto central bank, is committed to exchange rate stability through maintenance of the peg to the Hong Kong Dollar.

Although Macau imposes no restrictions on capital flows and foreign exchange operations, exporters are required to convert 40 percent of foreign currency earnings into MOP. This legal requirement is not applied to tourism services.

Expropriation and Compensation

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The U.S. Consulate General is not aware of any expropriation actions. Expropriation of property may occur if it is in the public interest. In such cases, the Macau SAR Government will exchange the private property with an equivalent public property based on the valuation and conditions of the property. The exchange of property is in accordance with established principles of international law. There is no remunerative compensation.

Dispute Settlement

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The U.S. Consulate General is aware of one investor-state dispute involving U.S. or other foreign investors or contractors and the Macau SAR Government. Private investment disputes are normally handled in the courts or resolved through private negotiation. In March 2010, low cost carrier airline Viva Macau was reportedly forced to cancel flight services related to an alleged credit dispute with its fuel provider, triggering events which led to the revocation of the airline's Air Operator's Certificate and the termination of its sub-concession with government-owned Air Macau. Macau courts declared Viva Macau bankrupt in September 2010. Viva Macau's major shareholder, a U.S. private investment company, is seeking a judgment in Macau's courts concerning whether a GOM administrative act led to Viva Macau's demise and, if so, if such an act was legal. The Court of Second Instance issued a ruling in the case on January 31, 2013 rejecting the U.S. investment company's arguments. The U.S. firm is appealing that decision. Alternatively, disputes may be referred to the Hong Kong International Arbitration Center or the World Trade Center Macau Arbitration Center.

Macau has an arbitration law (Decree 55/98/M), which adopts the United Nations Commission on International Trade Law (UNCITRAL) model law for international commercial arbitration. The Macau SAR Government accepts international arbitration of investment disputes between itself and investors.

Macau's legal system is based on the rule of law and the independence of the judiciary. Macau has commercial and bankruptcy laws (Decree 40/99/M). Courts in Macau include the Court of Final Appeal, Intermediate Courts, and Primary Courts. There is also an Administrative Court, which has jurisdiction over administrative and tax cases. These provide an effective means for enforcing property and contractual rights. Commercial and bankruptcy laws are written under the Macau Commercial Code (Decree 40/99/M). Macau's dramatic economic expansion in the last few years, combined with a shortage of qualified jurists, have put a strain on the operations of the judicial system, leading in some cases to delays in case resolution of over two years. In

a 2011 speech, the President of the Court of Final Appeal observed that Macau required an additional 20 judges. In that same year, Secretary for Administration and Justice Florinda da Rosa Silva Chan stated that Macau lacked a total of 110 judicial clerks. In response, the GOM has increased the number of judge and judicial clerk training programs.

Performance Requirements and Incentives

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To attract foreign investment, the Macau SAR Government offers investment incentives to investors on a national treatment basis. These incentives are contained in Decrees 23/98/M and 49/85/M and are provided so long as companies can prove they are doing one of the following: promoting economic diversification, contributing to promotion of exports to new unrestricted markets, promoting added value within their activity's value chain, or contributing to technical modernization. There is no requirement that nationals own shares. These incentives are categorized as fiscal incentives, financial incentives, and export diversification incentives.

Fiscal incentives include full or partial exemption from profit/corporate tax, industrial tax, property tax, stamp duty for transfer of properties, and consumption tax. The tax incentives are consistent with the WTO Agreement on Subsidies and Countervailing Measures as they are neither export subsidies nor import substitution subsidies as defined in the WTO Agreement. Financial incentives include government-funded interest subsidies. Export diversification incentives include subsidies given to companies and trade associations attending trade promotion activities organized by the Macau Trade and Investment Promotion Institute. Only companies registered with Macau Economic Services may receive subsidies for costs such as space rental or audio-visual material production. Macau also provides other subsidies for the installation of anti-pollution equipment.

Right to Private Ownership and Establishment

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Macau law and regulations provide for the right of foreign and domestic private entities to establish, acquire, and dispose of interests in business enterprises.

Protection of Property Rights

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Macau is a member of the World Intellectual Property Organization. Macau has acceded to the Bern Convention for the Protection of Literary and Artistic Works. Patents and trademarks are registered under Decree 97/99/M. Macau's copyright laws are compatible with the WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and government offices are required to use only licensed software. The Macau SAR Government devotes considerable attention to intellectual property rights enforcement and coordinates with copyright holders. Source Identification Codes are stamped on all optical discs produced in Macau. Macau Economic Services uses an expedited prosecution arrangement to speed up punishment of accused retailers of pirated products.

Macau Customs has worked to combat optical disc piracy in recent years, resulting in the closure of all illicit optical disc production lines in Macau. Macau Customs also maintains an enforcement department to investigate incidents of intellectual property (IP) theft. Macau Customs works closely with mainland Chinese authorities, foreign customs agencies, and the World Customs Organization to share best practices to address criminal organizations engaging in IP theft.

Since 2010, Macau has accelerated the registration processes for trademarks and patents by doubling the publication frequency of applications. In February 2012, the Legislative Assembly passed a bill to “Modify the Copyright System and Related Rights,” which revised the existing copyright law by extending protections to Internet and digital technology. Today, copyright infringement for trade or business purposes is subject to a fine or a maximum imprisonment of four years. Since the enactment of the law, signal piracy (including U.S. origin program content) has been reduced.

Transparency of Regulatory System

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The GOM has transparent policies and laws that establish clear rules and do not unnecessarily impede investment. The basic elements of a competition policy are set out in Macau's 1999 Commercial Code.

Efficient Capital Markets and Portfolio Investment

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Macau allows free flows of financial resources. Foreign investors can obtain credit in the local financial market. At present, there are twenty-nine financial institutions in Macau, including twelve local banks and seventeen branches of banks incorporated outside Macau. In addition, there are eleven moneychangers, two cash remittance companies, two financial intermediaries, six exchange counters and one representative office of a financial institution. These institutions provide a range of credit instruments. Banks with capital originally from mainland China and Portugal had a combined market share of about 80 percent of total deposits in the banking system at the end of 2012. Total deposits amounted to US\$45.9 billion in 2012. At the end of 2012, banks in Macau maintained a capital adequacy ratio of 14.62 percent, well above the minimum eight percent recommended by the Bank for International Settlements. Accounting systems in Macau are consistent with international norms.

In December 2009, the Macau Monetary Authority signed a memorandum with the People's Bank of China to develop the Renminbi (RMB) settlement mechanism for cross-border trade. According to the memorandum, the quota on the value of RMB exchange for each individual transaction increased from RMB 6,000 (US\$878) to RMB 20,000 (US\$2,928). The list of designated merchants who are allowed to exchange RMB for Pataca from Macau banks is expanded to include institutions that provide telecommunications, education, and exhibition/convention services. In addition, Macau residents are allowed to use RMB checks to pay for consumer spending in Guangdong Province up to RMB 50,000 (US\$7,320) per account per day. Since 2010, the People's Bank of China has been providing the cross-border settlement of funds for Macau residents and institutions involved in transactions for RMB bonds issued in Hong Kong. Macau residents and institutions can purchase or sell, through Macau RMB participating banks, the RMB bonds issued in Hong Kong. In March 2012, in an effort to diversify its

asset portfolio, the NMA signed an agreement with the people's Bank of China to acquire up to RMB 10 billion in RMB bonds.

Macau has no stock market, but companies can seek a listing in Hong Kong's stock market. Macau and Hong Kong financial regulatory authorities cooperate on issues of mutual concern. Under the Macau Insurance Ordinance, the Monetary Authority authorizes and monitors insurance companies. There are eleven life insurance companies and thirteen non-life insurance companies in Macau. Total gross premium income from insurance services amounted to US\$467.1 million in 2012.

Offshore finance businesses, including credit institutions, insurers, underwriters, and offshore trust management companies, are regulated and supervised by the Monetary Authority. Profits derived from offshore activities are fully exempted from all form of taxes. In June 2012, the Legislative Assembly passed a draft bill for a deposit protection scheme. The new law (Law 9/2010), which has been in effect since October 2012, stipulates that banks compensate depositors up to a maximum of MOP 500,000 (US\$62,500) in case of a bank failure. To finance the deposit protection scheme, the GOM has injected MOP 150 million (US\$18.75 million) into the deposit protection fund, while banks will need to pay an annual contribution of 0.05 percent of the amount of protected deposits held.

Competition from State-owned Enterprises

In absolute terms, Macau's gaming sector accounts for over 70 percent of the local economy, though the GOM has no ownership in any gaming companies. Several economic sectors – including cable television, telecommunications, electricity, and airport/port management are run by private companies under concession contracts from the GOM. The GOM holds a small percentage of shares (ranging from one to ten percent) in these government-affiliated enterprises. The government set out in its 1999 Commercial Code the basic elements of a competition policy with regard to commercial practices that can distort the proper functioning of markets. Court cases related to anti-competitive behavior remain rare.

Corporate Social Responsibility

The six gaming concessionaires that dominate Macau's economy pay four percent of gross gaming revenues to the government to fund cultural and social programs in the SAR. Several operators also directly fund gaming addiction rehabilitation programs. Some government-affiliated entities maintain active CSR programs. For example, Companhia de Electricidade de Macau, an electric utility, sponsored Macau's regional Special Olympics program in January 2010, and the company's volunteer programs include education programs and repair services provided free-of-charge to underprivileged residents. Since 2007, the Junior Chamber International Macau (JCIM) has held the Corporate Social Responsibility International Forum to promote CSR programs.

Political Violence

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Macau is politically stable. The U.S. Consulate General is not aware of any incidents in recent years involving politically motivated damage to projects or installations.

Corruption

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Macau's anti-corruption agency is called the Commission Against Corruption (known by its Portuguese acronym CCAC). The CCAC's highest profile case was Macau Transport and Public Works Secretary Ao Man Long's 27-year prison sentence in 2008. Ao was convicted of accepting bribes from real estate and construction companies in exchange for contract approvals in 20 public works projects.

Until 2009, the CCAC's overall effectiveness remained constrained by legislation limiting the scope of its authority to government-sector corruption. In August 2009, the Legislative Assembly passed an amendment that empowered the CCAC to also investigate private-sector corruption.

Bilateral Investment Agreements

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Macau has signed investment protection agreements with Portugal and the Netherlands.

OPIC and Other Investment Insurance Programs

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Overseas Private Investment Corporation (OPIC) coverage is not available in Macau.

Labor

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Macau's unemployment rate in March 2013 was 1.9 percent, down from a high of 6.1 percent in 2003, primarily due to the increase in gaming facilities, retail trade, construction, and hotels. Foreign businesses cite the constant shortage of skilled workers – a result of the past decade's boom in entertainment facilities – as a top constraint on their operations and future expansion. The government is studying proposals to resolve the human resources problem. For example, Macau has labor importation schemes for unskilled and skilled workers who cannot be recruited locally. In November 2012, Macau Chief Executive Fernando Chui announced that the Central Government has approved the importation of domestic helpers from mainland China. As a pilot scheme, the GOM plans to import domestic helpers from the provinces of Guangdong and Fujian in the second half of 2013.

The GOM has also put measures in place to replace some foreign workers with Macau residents. In 2009, the Legislative Assembly passed a bill that established criminal penalties for employers of illegal migrants and prevented foreign workers from changing employers in Macau. The Government has used the proceeds of a tax on the import of temporary workers for retraining local unemployed people.

Foreign-Trade Zones/Free Ports

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Macau is a free port; however, there are four types of dutiable commodities: liquors, tobacco, vehicles, and petrol. Licenses must be obtained from the Economic Service Bureau prior to importation.

There are a number of significant infrastructure projects in Macau, including:

-Light Rail Transit (LTR) System. In 2003, the Macau Government proposed to build a 21-km LTR, which will connect Macau Peninsula, Taipa, and Cotai with 21 stations to relieve traffic congestion. After years of research, the GOM commenced the first phase in November 2011. The GOM expects to complete the LTR by February 2015 and to increase the number of passengers from 8,000 in the early stage of operation to 14,200 by 2020.

-Hong Kong-Zhuhai-Macau Bridge. The construction of the Macau section of the 29-km bridge started in December 2009. The bridge is expected to better link Hong Kong, Zhuhai, and Macau with the less developed western part of the Pearl River Delta region. The bridge is scheduled for completion in 2016.

-Pac On Ferry Terminal. A new ferry terminal at Taipa is due for completion in mid-2013. It will become Macau's main maritime border crossing with a capacity for 15 million passengers a year.

Foreign Direct Investment Statistics

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According to the Direct Investment Statistics 2011 compiled by the Statistics and Census Service, there were 1,993 foreign direct investment companies in Macau, employing 111,967 workers. The Cayman Islands was the largest foreign investor in Macau, accounting for 34.6 percent of total foreign direct investment. Officially, the United States was the fifth largest foreign investor in Macau, accounting for 4.6 percent of foreign direct investment (US\$677.3 million). Some observers, however, have estimated the figure of U.S. investment to be as high as US\$8 billion, which would make the U.S. the number one foreign investor. Major U.S. investments include the hotels and casinos operated by Sands, Wynn, and MGM.

Table 1: Stock of foreign direct investment by country/territory, 2011

Country/Territory	US\$ Million	% Share of Total
Cayman Islands	5,135.4	34.6
Hong Kong	3,885.6	26.1
British Virgin Islands	2,325.9	15.6
China	2,025.8	13.6
United States	677.3	4.6
Others	812.0	5.5
Total	14,862.0	100.0

Source: Statistics and Census Service

Table 2: Stock of foreign direct investment by industry, 2011

Sector	US\$ Million	% of Total
Gaming	8,474.6	57.0
Banks and securities	2,853.5	19.2
Wholesale and retail	1,319.1	8.9

Construction	454.9	3.1
Industrial production	386.6	2.6
Insurance	334.4	2.2
Transport, storage and communications	98.0	0.7
Hotels and restaurants	87.1	0.6
Cultural, recreational and other services	853.6	5.7
Total	14,862.0	100.0

Sources: Statistics and Census Service

Note: Total does not sum due to rounding.

Web Resources

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Macao Special Administrative Region Government: www.gov.mo

Macao Trade and Investment Promotion Institute – IPIM: www.ipim.gov.mo

Macao Fair & Trade Association: www.macauf.ta.com

Macao Government Tourist Office: www.macaotourism.gov.mo

World Trade Centre Macau: www.wtc-macau.com

Monetary Authority of Macao: www.amcm.gov.mo

Commission Against Corruption of Macau – CCAC: www.ccac.org.mo

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Chapter 7: Trade and Project Financing

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How Do I Get Paid (Methods of Payment)

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The importance of trade finance to Hong Kong has resulted in a high level of bank efficiency in providing import payment services. Letters of credit, documentary collections and international remittance services are widely available. The risk of financing receivables can be readily evaluated via locally available credit information. Prospective U.S. exporters frequently benefit from established U.S.-Hong Kong banking relationships when determining credit risk.

The U.S. Export-Import Bank (Ex-Im Bank) offers trade financing, working capital guarantees and insurance for U.S. exports. Ex-Im Bank generally provides trade finance through financial institutions in the United States and the importing countries. Through its Global Access Program, an initiative for increasing small business export financing aligned with NEI's objective, Ex-Im Bank aims to double its annual small-business export-finance volume by 2015.

For more information concerning Ex-Im Bank programs and application procedures, contact Ex-Im Bank in Washington, D.C. at (800) 565-EXIM or (202) 565-3946. Fee calculations and applications can be found on line at www.exim.gov.

The preferred method of quoting is to use the "CIF" (Cost Insurance Freight) or "C and F" (Cost and Freight) destination terms of sale in Hong Kong dollars (HK\$). The U.S. dollar and other freely convertible currencies may be accepted for bids and pro forma invoicing. Terms of payment depend on the relative negotiating strength of the buyers and sellers. U.S. suppliers should seek to obtain letters of credit or sight draft terms when dealing with buyers who are not well known to them. Asking for a letter of credit is a standard business practice, and your potential customer will not generally interpret this as a sign of mistrust.

Credit Rating Agencies (CRAs) in Hong Kong such as A.M. Best Asia-Pacific Limited, CTRISKS Rating Limited, Fitch (Hong Kong) Limited, Moody's Investors Service Hong Kong Limited, and Standard & Poor's Hong Kong Limited, provide credit ratings on Hong Kong companies.

U.S. exporters seeking a listing of collection agencies in Hong Kong can write to the U.S. Commercial Service in Hong Kong at office.hongkong@trade.gov.

How Does the Banking System Operate

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Hong Kong has an open financial system, with no controls on currency movement. A description is contained in Chapter 6: Investment Climate (Hong Kong) – Efficient Capital Markets and Portfolio Investment.

Macau also has an open financial system, with no controls on currency movement. A description is contained in Chapter 6: Investment Climate (Macau) – Efficient Capital Markets and Portfolio Investment.

Foreign-Exchange Controls

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Hong Kong

The local currency, the Hong Kong Dollar (HK\$), is freely convertible, and there are no foreign exchange controls.

Macau

Macau's local currency is the Macau Pataca (MOP) which is also freely convertible and free of foreign exchange controls. The Hong Kong Dollar is also usually accepted in Macau as a means of payment for commerce and retail transactions.

U.S. Banks and Local Correspondent Banks

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Licensed U.S. Commercial Banks in Hong Kong:

American Express Bank: www.americanexpress.com/hk/en/corp/home_corp_lite.shtml

Bank of America, N.A.: www.bankofamerica.com/index.jsp

Bank of New York Mellon: www.bnymellon.com

Citibank NA: www.citibank.com.hk

JP Morgan Chase Bank, N.A.: www.jpmorganchase.com

State Street Bank and Trust Company: www.statestreet.com

Wells Fargo Bank NA: www.wellsfargo.com

East West Bank: www.eastwestbank.com/English/index.asp

First Commercial Bank: www.firstcommercialbank.com/index.cfm

Cathay Bank: <https://www.cathaybank.com/selectRegion.asp?sname=index.asp>

Hong Kong's five largest local banks are indicated in Chapter 6: Investment Climate – Efficient Capital Markets and Portfolio Investment.

Project Financing

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Because of its strong financial system and proximity to strategic markets in Asia, Hong Kong is a key player in project finance in the region.

The U.S. Department of Commerce maintains a congressionally mandated Commercial Liaison Office for the Asia Development Bank (ADB) in Manila; part of the U.S. Trade Advocacy Center in Washington, D.C. The office provides counseling, advocacy, and project information to help American firms access, enter and expand in Asian markets that benefit from ADB assistance. The ADB works actively with CS Hong Kong to help Hong Kong-based U.S. companies and affiliates better target ADB business opportunities including co-financing and private sector development projects.

The U.S. Commercial Liaison Office to the Asia Development Bank (ADB)
Address: 25th Floor, Ayala Life-FGU Building
6811 Ayala Avenue
Makati City, Philippines 1226
Tel: (63-2) 887-1345 to 46
Fax: (63-2) 887-1164
Email: office.manilaadb@trade.gov

U.S. mailing address:
CS/ADB
Unit 8600, Box 1565
DPO AP 96515-11565

The International Finance Corporation (IFC), a member of the World Bank Group, is the largest global development institution focused exclusively on the private sector. IFC helps developing countries achieve sustainable growth by financing investment, providing advisory services to businesses and governments, and mobilizing capital in the international financial markets.

In 2012, the IFC provided US\$2.9 billion in financial assistance to 71 projects in the East Asia Pacific Region in eleven countries, where the IFC maintains offices. These are Beijing, Chengdu, Hong Kong SAR (People's Republic of China); Sydney (Australia); Bangkok (Thailand); Dili (Timor-Leste); Hanoi, Ho Chi Minh City (Vietnam); Jakarta (Indonesia); Port Moresby (Papua New Guinea); Manila, Davao (the Philippines); Ulaanbaatar (Mongolia); Phnom Penh (Cambodia); and Vientiane (Laos). For 2012, it is expected to reach 130,000 farmers, improve health and education services for 1.2 million people and facilitate loans for around 5.4 million micro, small and medium enterprises.

Contact information for the IFC office in Hong Kong:

Mr. Sergio Pimenta, Director East Asia & the Pacific
Ms. Karin Finkelston, VP Asia Pacific
East Asia and Pacific Department
International Finance Corporation
Address: 14th Floor, One Pacific Place
88 Queensway, Admiralty
Hong Kong
Tel: (852) 2509-8100
Fax: (852) 2509-9363
Email: spimenta@ifc.org, kfinkelston@ifc.org
Website: www.ifc.org

The U.S. Department of Commerce maintains a congressionally-mandated Business Liaison Office for the World Bank Group, including the IFC, in the Office of the U.S. Executive Director to the World Bank at World Bank headquarters in Washington, D.C. An American Senior Commercial Officer, Mr. E. Scott Bozek, is the Director of the World Bank Business Liaison Office. Contact information for this office is:

Mr. E. Scott Bozek
Advisor & Director of U.S. Business Liaison
Office of the U.S. Executive Director
U.S. Trade Advocacy Center
MSN MC-13-1307
The World Bank, 1818 H. St., N.W.
Washington, D.C. 20433
Tel: (202) 458-0120
Fax: (202) 477-2967
Email: ebozek@worldbank.org
Website: www.worldbank.org

Web Resources

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Export-Import Bank of the United States: www.exim.gov

Country Limitation Schedule: www.exim.gov/tools/countrylimitationschedule/index.cfm

OPIC (Overseas Private Investment Corporation): www.opic.gov

Trade and Development Agency: www.ustda.gov

SBA's (Small Business Administration's) Office of International Trade: www.sba.gov/oit/

USDA (U.S. Department of Agriculture) Commodity Credit Corporation:
www.fsa.usda.gov/FSA/webapp?area=about&subject=landing&topic=sao-cc

U.S. Agency for International Development: www.usaid.gov

Asian Development Bank: www.adb.org

International Finance Corporation: www.ifc.org

The World Bank: www.worldbank.org

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Business Customs

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Hong Kong society has developed as a unique blend of Chinese tradition and Western modern technology. Most people who are familiar with the region know that Hong Kong means business. Above all, it is a society that emphasizes hard work and success.

Macau's business culture retains a strong mix of Chinese tradition with a distinctive Portuguese cultural influence.

Americans encounter few if any cultural problems when conducting business in Hong Kong and Macau. Business meetings tend to be more formal in Hong Kong and Macau, and business acquaintances are usually addressed as Mr. or Ms. unless they state that their first name should be used. Business cards are exchanged frequently, and the exchange should be fairly formal; the card should be accepted with both hands and a moment taken to read it carefully. "Face" is very important, and problems or areas of disagreement are handled indirectly to avoid loss of "face." While a study of local customs and practices is helpful, most businesspeople in Hong Kong and Macau are familiar with Western customs and are tolerant of cultural differences. Western business attire (suit and tie for men, business suits for women) is appropriate.

Americans should be aware that personal names in Chinese culture follow a number of rules different from those of personal names in Western cultures. Most noticeably, a married Chinese woman in Hong Kong usually retains her maiden name as her family name, rather than the adopted name of her husband. This is also the case in mainland China. In some exceptional cases in Hong Kong, especially among civil servants, married Chinese women sometimes put their husband's name, hyphenated, in front of their maiden name.

Travel Advisory

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The U.S. Department of State issued a worldwide caution on July 29, 2009 to remind U.S. citizens of the continuing threat of terrorist actions and violence against Americans, U.S. citizens and interests overseas. The U.S. Government is also concerned about the potential for demonstrations and violent actions against U.S. citizens and interests overseas. U.S. citizens are reminded to maintain a high level of vigilance and to take appropriate steps to increase their security awareness. The Department of State remains concerned about indications that al-Qa'ida and affiliated organizations continue to plan terrorist attacks against U.S. interests in multiple regions, including Europe, Asia, Africa and the Middle East. Terrorist actions may include, but are not limited to, suicide operations, assassinations, hijackings, bombings or kidnappings. These may involve aviation and other transportation and maritime interests. Terrorists do not distinguish between official and civilian targets, including facilities where U.S. citizens and other foreigners congregate or visit. U.S. Government facilities worldwide remain at a heightened state of alert. As the Department of State continues to develop information on any potential security threats to U.S. citizens overseas, it shares credible threat information through its consular information program documents, available on the Internet at www.travel.state.gov/travel/cis_pa_tw/tw/tw_1764.html.

In addition to information on the internet, travelers may obtain up-to-date information on security conditions by calling 1-888-407-4747 toll-free in the U.S. or outside the U.S. and Canada on a regular toll line at 1-202-501-4444. These numbers are available from 8:00 am to 8:00 pm Monday through Friday, Eastern Time (except U.S. federal holidays.)

For information on Avian Influenza, please see the section on Health in Chapter 8: Business Travel, below.

Visa Requirements

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Hong Kong

Visas are not required for American citizens who visit Hong Kong for less than 90 days. For more information regarding visa requirements for other nationalities, refer to the Hong Kong Immigration Department website: www.immd.gov.hk/index.html.

Additional information on Hong Kong entry/exit requirements and general travel information can be found on the U.S. State Department Travel website: travel.state.gov/travel/cis_pa_tw/cis/cis_1136.html.

Macau

Visas are not required for American citizens who visit Macau for less than 30 days. For more information on visa requirements for other nationalities, please refer to the Macau Immigration Department website: www.fsm.gov.mo.

Additional information on Macau entry/exit requirements and general travel information can be found on the U.S. State Department Travel website: travel.state.gov/travel/cis_pa_tw/cis/cis_955.html.

U.S. Visas

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security evaluations are handled via an interagency process. Visa applicants should go to the following links.

State Department Visa Website: travel.state.gov/visa/
American Consulate General Hong Kong Consular Section website:
hongkong.usconsulate.gov/visa_services.html

Visas to mainland China

Important: Travelers who transit Hong Kong or Macau on their way to mainland China must apply for a visa from the People's Republic of China. For more information, visit: www.china-embassy.org/eng/hzqz/zgqz/default.htm or www.ctshk.com/english/useful/chinesevisa.htm

Telecommunications

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The telecommunications infrastructure is excellent in Hong Kong and Macau. Although Hong Kong has more carriers and service providers, using your mobile phone in both cities is convenient. Most of the wireless systems used around the world (GSM 900, CDMA, WCDMA, 3G) operate in Hong Kong and Macau.

Hong Kong

Mobile operators in Hong Kong have roaming agreements with most overseas operators, enabling visitors to use their own mobile phone when they come to Hong Kong. Before leaving home, U.S. visitors should check with network providers to make sure they have a roaming arrangement with a Hong Kong telecom operator. You can also buy a local SIM card and rent a mobile phone when you arrive in Hong Kong, at the airport or in town. Most hotels in Hong Kong rent cellular phones to guests through their business centers. Rates vary between US\$20-US\$50 per day. For longer stays visitors can arrange rentals on a weekly basis at Hong Kong's telecom operator for approximately US\$100 per week plus airtime. Another option is to purchase a relatively cheap mobile phone with a prepaid SIM card for approximately US\$10 from Hong Kong telecom operators and retail shops.

Macau

U.S. visitors can purchase phone cards for US\$4 to US\$12 that can be used in public phones located throughout Macau. In the busiest areas there are also credit card phones. To use a mobile phone in Macau, you can contact the following mobile phone service providers by dialing 1000 (CTM), 1118 (Hutchison Telecom) or 1628 (SmarTone). Hutchison Telecom Network also provides a Mobile Tour Guide Service. Visitors can listen to the voice information service by dialing the Spot Code #83.

Internet Accessibility

90 percent of the households and all commercial buildings in Hong Kong have access to broadband. In Hong Kong, consumers enjoy a wide and sophisticated range of services at competitive prices. As of April 2013, there were 167 ISPs in Hong Kong, and an

unlimited broadband connection cost about US\$20 per month. The affordability of Internet services has a direct effect on the penetration of Internet usage; there were approximately 2.2 million broadband subscribers in Hong Kong as of April 2013.

Mobile Internet access is also gaining momentum in Hong Kong. As of April 2013, there were more than 18,500 public Wi-Fi hot spots in the city and the number is growing. Location information of Wi-Fi access points can be found at: <http://www.hotspot-locations.com>

Wireless Macau Internet access is gaining ground in Macau. The main Macau Internet provider, CyberCTM, offers citywide Wireless Broadband Service. Several hotels and the conventions centers also offer wireless internet access. Wireless access is also available in the airport.

Transportation

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Hong Kong

Hong Kong has a very good public transportation system. Major modes of transportation include buses, the Mass Transit Railway (underground subway system), trams, ferries, and taxis. In addition, almost all major airlines service Hong Kong.

Travelers have a choice of transport from Hong Kong's Chek Lap Kok Airport to their hotel. Options include the Airport Express train (US\$13 and US\$6.50 for children 3 to 11), hotel shuttle buses and express public buses (US\$6), or taxis (US\$65). The distance is approximately 25 miles.

The Airport Express train is the fastest way to reach Hong Kong Island from the airport. Trains depart every 12 minutes, and the ride to the terminus at "Hong Kong Station" in Central, Hong Kong Island, takes only 25 minutes. From there it costs less than US\$6 (and another 5-10 minutes) for a taxi ride to most hotels in the Central, Admiralty and Wan Chai districts. One-way or round-trip tickets for the Airport Express may be purchased from vending machines located immediately beyond baggage claim/customs (these require Hong Kong dollars in cash) or from the Airport Express counter located in the center of the public arrivals hall. Trains are at the platform level and there are storage areas for luggage just inside the trains. If you take the Airport Express train to Hong Kong Station (last stop) you will find taxis available directly ahead as you exit the train terminal and proceed through the terminal exit gate. The Airport Express in-town check-in from Hong Kong Island and Kowloon Station is an extremely convenient service for travelers departing Hong Kong. It allows you to check your bags in town and then proceed to the airport directly.

Transportation between Hong Kong and Macau

The most convenient way to travel between Hong Kong and Macau is by high-speed ferry. The journey takes approximately one hour, and ferries depart every 15 – 30 minutes from the Shuntak and HK China Ferry Terminals in Hong Kong and the Macau Pier and Cotai Strip Pier in Macau. Schedules and rates for the various services are listed at the websites indicated below:

Turbo Jet: www.turbojet.com.hk
First Ferry: www.nwff.com.hk
Cotai Jet: cotaijet.com.mo

First Ferry and Turbo Jet also operate a number of ferry services between points in Hong Kong (such as the International Airport) and destinations in mainland China. There is also a helicopter service between Hong Kong and Macau. The journey takes 15 minutes. More information is available at: www.skysuttlehk.com

Transportation in Macau

Major modes of transportation in Macau include buses and taxis. Getting around the relatively small area of Macau (and its bridge-connected islands of Taipa and Coloane) is relatively easy. Free shuttle buses also operate between the two ferry piers and the major hotels and casinos.

Money Exchange

The Hong Kong dollar is pegged to the U.S. dollar, with the rate set at approximately HK\$7.75 per US\$1. Upon arrival in Hong Kong, money exchange (Travellex) is available in the area immediately outside of baggage claim/customs. There are ATM machines for direct withdrawals or for cash advances (for holders of Master Card using the Cirrus network and Visa Card using the Plus systems) and most major hotels offer currency exchange.

The Macau Pataca is similarly pegged to the Hong Kong dollar at approximately HK\$100 to MOP 103. The Hong Kong dollar is widely accepted – and often preferred -- for commerce as well as retail purchases in Macau.

Language

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English and Chinese are the official languages in Hong Kong. English is widely used in the Hong Kong Government, the legal system and business sectors. Chinese and Portuguese are the official languages in Macau. Cantonese is the most widely spoken language in Hong Kong and Macau and English is widely spoken in tourist establishments. Mandarin Chinese (Putonghua) is also widespread and becoming ever more common in both Hong Kong and Macau.

Health

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Hong Kong has high public health standards, and health care in Hong Kong is similar in quality to that found in the United States, although it can be extremely expensive. Hospitals and clinics expect payment when service is rendered and in general, do not accept health insurance for payment. Pharmacies will accept only prescriptions from local physicians and may not be open after usual business hours. It is recommended that the traveler bring an adequate supply of prescription medications for the duration of his/her stay. For a list of medical providers in Hong Kong and Macau, please visit the U.S. Consulate Hong Kong website at: hongkong.usconsulate.gov/acs_medical.html

Mainland China and Southeast Asia have been the world epicenter for several viral illnesses in recent years such as SARS and Avian Influenza (AI). Travelers are encouraged to review the following websites for more information on AI:

The Hong Kong Government AI site: www.info.gov.hk/info/flu/eng/home.htm

U.S. Centers for Disease Control Website: www.cdc.gov/flu/avian

U.S. State Department AI fact sheet: travel.state.gov/travel/cis_pa_tw/flu/flu_1181.html

Local Time, Business Hours, and Holidays

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Hong Kong and Macau are 12 hours ahead of Eastern Standard Time, and 13 hours ahead during daylight savings time.

Business hours are 9 a.m. to 5 p.m., Monday through Friday, and 9 a.m. to 1 p.m. on Saturday. Many companies now have a 5-day workweek. Starting from July 1, 2006, most government offices are now closed on Saturdays, but their opening hours on weekdays have been extended.

2013 Holidays (For both Hong Kong and Macau unless indicated)

Date (Day)	Holiday
June 12 (Wednesday)	Tuen Ng Festival
July 1 (Monday)	Hong Kong Special Administrative Region Establishment Day (Hong Kong only)
September 20 (Friday)	The day following Chinese Mid-Autumn Festival
October 1 (Tuesday)	National Day
October 2 (Wednesday)	The day following National Day (Macau only)
October 14 (Monday)	The day following Chung Yeung Festival (Hong Kong only)
November 2 (Saturday)	All Souls' Day (Macau only)
December 20 (Friday)	Macau Special Administrative Region Establishment Day (Macau only)
December 24 (Tuesday)	Christmas Eve (Macau only)
December 25 (Wednesday)	Christmas Day
December 26 (Thursday)	First weekend after Christmas Day (Hong Kong only)

2014 Holidays (For both Hong Kong and Macau unless indicated)

Date (Day)	Holiday
January 1 (Wednesday)	New Year's Day
January 31 (Friday)	Lunar New Year's Day
February 1 (Saturday)	Second Day of the Lunar New Year
February 3 (Monday)	The fourth day of the Lunar New Year (Hong Kong only)
April 5 (Saturday)	Ching Ming Festival
April 18 (Friday)	Good Friday
April 19 (Saturday)	The day following Good Friday
April 21 (Monday)	Easter Monday (Hong Kong only)
May 1 (Thursday)	Labour Day
May 6 (Tuesday)	Buddha's Birthday
June 2 (Monday)	Tuen Ng (Dragon Boat) Festival

Date (Day)	Holiday
July 1 (Tuesday)	Hong Kong Special Administrative Region Establishment Day (Hong Kong only)
September 9 (Tuesday)	The day following Chinese Mid-Autumn Festival
October 1 (Wednesday)	National Day
October 2 (Thursday)	Chung Yeung Festival
December 8 (Monday)	Feast of Immaculate Conception (Macau only)
December 20 (Saturday)	Macau Special Administrative Region Establishment Day (Macau only)
December 22 (Monday)	Winter Solstice (Macau only)
December 24 (Wednesday)	Christmas Eve (Macau only)
December 25 (Thursday)	Christmas Day
December 26 (Friday)	The first weekday after Christmas Day (Hong Kong only)

Temporary Entry of Materials and Personal Belongings

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Hong Kong Customs generally does not restrict the temporary import of goods into Hong Kong, such as laptop computers, software and general exhibit materials, for business purposes, provided the goods are not restricted items that normally require an import license. The temporary import of supercomputers, which is a controlled item, or of any exhibit materials that are also controlled items would require a license even if the commodity is being shipped in only for exhibit purposes. See www.tid.gov.hk/english/import_export/ie_maincontent.html.

Web Resources

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American Consulate General Hong Kong American Citizens Services: hongkong.usconsulate.gov/acs.html
Centers for Disease Control and Prevention: www.cdc.gov
Hong Kong Customs and Excise Department: www.customs.gov.hk
Hong Kong Center for Health Protection: www.chp.gov.hk
Hong Kong Immigration Department: www.immd.gov.hk
Hong Kong Tourism Board: www.discoverhongkong.com
State Department Visa: travel.state.gov/visa/visa_1750.html
Macau Government Tourist Office: www.macaotourism.gov.mo/en/
Macao Customs Service: www.customs.gov.mo/
Government of Macao Special Administrative Region Health Bureau: www.ssm.gov.mo

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Chapter 9: Contacts, Market Research and Trade Events

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- [Market Research](#)
- [Trade Events](#)

Contacts

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U.S. Consulate General Contacts:

U.S. Consulate General: hongkong.usconsulate.gov

U.S. Commercial Service: www.export.gov/hongkong

U.S. Agricultural Trade Office: www.usfoods-hongkong.net

Hong Kong Government Offices and Related Organizations:

Hong Kong SAR Government: www.gov.hk

Census and Statistics Department: www.censtatd.gov.hk

Commerce and Economic Development Bureau: www.cedb.gov.hk

Companies Registry: www.cr.gov.hk

Customs and Excise Department: www.customs.gov.hk

Hong Kong Productivity Council: www.hkpc.org

Hong Kong Tourism Board: www.discoverhongkong.com/eng/index.html

Hong Kong Trade Development Council: www.hktdc.com

Intellectual Property Department: www.ipd.gov.hk

Invest Hong Kong: www.investhk.gov.hk

Office of Communications Authority: www.ofca.gov,hk

Trade and Industry Department: www.tid.gov.hk

Macau Government Offices and Related Organizations:

Macau SAR Government: www.gov.mo

Government of Macao (SAR) Directorate of Economic Services: www.economia.gov.mo

Macau Government Tourist Office: www.macautourism.gov.mo/en

Macau Customs Service: www.customs.gov.mo

Macau Trade and Investment Promotion Institute: www.ipim.gov.mo/

Macau Statistics and Census Service: www.dsec.gov.mo/default.aspx?lang=en-us

World Trade Center Macau: www.wtc-macau.com

SDPIM-Macao Industrial Parks Development Co., Ltd.: www.sdpim.com.mo

Trade Associations:

Hong Kong

American Chamber of Commerce in Hong Kong: www.amcham.org.hk

The Chinese General Chamber of Commerce: www.cgcc.org.hk/en/index.aspx

The Chinese Manufacturers' Association of Hong Kong: www.cma.org.hk/
The Cosmetic & Perfumery Association of Hong Kong Ltd.: www.cosmetic.org.hk
Federation of Hong Kong Industries: www.industryhk.org
Hong Kong Computer Society: www.hkcs.org.hk
Hong Kong Electronic Industries Association: www.hkeia.org
Hong Kong Federation of Insurers: www.hkfi.org.hk/en_home1.asp
Hong Kong Franchising Association: www.franchise.org.hk
Hong Kong General Chamber of Commerce: www.chamber.org.hk
The Communications Association of Hong Kong: www.cahk.hk
Travel Industry Council of Hong Kong: www.tichk.org/public/website/en/index.html
U.S. States and Ports Association (USSPA): www.usspahk.org

Macau

American Chamber of Commerce in Macau: www.amcham.org.mo
Macau Chamber of Commerce: www.acm.org.mo
Industrial Association of Macau: www.madeinmacau.net
Macau Importers and Exporters Association: www.macaueport.com
Macau Small and Medium Enterprises Association: www.sme.org.mo
The Association of Advertising Agents of Macau: www.aaam.org.mo
Macau Convention & Exhibition Association: www.mcea.org.mo
Macau Fair & Trade Association: www.macauftrade.com

Market Research

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To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/mrktresearch/index.asp> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, and is free.

Trade Events

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Please click on the link below for information on upcoming trade events.

<http://www.export.gov/tradeevents/index.asp>

For major trade events that will be held in Hong Kong, information is available on the Hong Kong Trade Development Council website: www.hktdc.com/info/trade-events/ci/HK-upcoming/en/All-Hong-Kong-Events.htm

For major trade events that will be held in Macau, information is available on the Macao Trade and Investment Promotion Institute website: www.ipim.gov.mo/macao_exhibition_list.php?type_id=649

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Chapter 10: Guide to Our Services

The President's National Export Initiative aims to double exports over five years by marshaling Federal agencies to **prepare U.S. companies to export successfully, connect them with trade opportunities and support them once they do have exporting opportunities.**

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: www.export.gov

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link: (Insert link to Products and Services section of local buyusa.gov website here.)

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRAD(E)**.

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

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