

HONG KONG

PROFILE

Location	Hong Kong is located on China's south coast, 60 km (37 mi) east of Macau on the opposite side of the Pearl River Delta and about 140km south east of Guangzhou. It is surrounded by the South China Sea on the east, south, and west, and borders the Guangdong city of Shenzhen to the north over the Shenzhen River.
Capital	Hong Kong
Government	Hong Kong (Chinese: 香港) is a special administrative region (SAR) of the People's Republic of China (PRC)
Geographic coordinates	22 15 N, 114 10 E
Area	total: 1,104 sq km country comparison to the world: 184 land: 1,054 sq km water: 50 sq km
Population	2010 census - 7,061,200
Density	6480/km2 (4th) 16,576/sq mi
Languages	English, Cantonese and Mandarin
Currency	Hong Kong Dollar (HK\$). Hong Kong's currency is the Hong Kong dollar, which has been pegged to the U.S. dollar since 1983.
International Time	HKT (UTC+8)
Country code	852

INTRODUCTION:

Occupied by the UK in 1841, Hong Kong was formally ceded by China the following year; various adjacent lands were added later in the 19th century. Pursuant to an agreement signed by China and the UK on 19 December 1984, Hong Kong became the Hong Kong Special Administrative Region (SAR) of the People's Republic of China on 1 July 1997, after 156 years of British colonial rule. In this agreement, China promised that, under its "one country, two systems" formula, China's socialist economic system would not be imposed on Hong Kong and that Hong Kong would enjoy a high degree of autonomy in all matters except foreign and defense affairs for the next 50 years.

ECONOMIC OVERVIEW:

Hong Kong has a free market economy highly dependent on international trade and finance - the value of goods and services trade, including the sizable share of re-exports, is about four times GDP. Hong Kong's open economy left it exposed to the global economic slowdown, but its increasing integration with China, through trade, tourism, and financial links, helped it recover more quickly than many observers anticipated.

The Hong Kong government is promoting the Special Administrative Region (SAR) as the site for Chinese renminbi (RMB) internationalization. Hong Kong residents are allowed to establish RMB-denominated savings accounts; RMB-denominated corporate and Chinese government bonds have been issued in Hong Kong; and RMB trade settlement is allowed. The territory far exceeded the RMB conversion quota set by Beijing for trade settlements in 2010 due to the growth of earnings from exports to the mainland. RMB deposits grew to roughly 4.6% of total system deposits in Hong Kong by the end of 2010, an increase of over 392% since the beginning of the year. The government is pursuing efforts to introduce additional use of RMB in Hong Kong financial markets and is seeking to expand the RMB quota for 2011. The mainland has long been Hong Kong's largest trading partner, accounting for about half of Hong Kong's exports by value.

As a result of China's easing of travel restrictions, the number of mainland tourists to the territory has surged from 4.5 million in 2001 to 22.5 million in 2010, outnumbering visitors from all other countries combined.

Hong Kong has also established itself as the premier stock market for Chinese firms seeking to list abroad. In 2010 mainland Chinese companies constituted about 19% of the firms listed on the Hong Kong Stock Exchange and accounted for 62% of the Exchange's market capitalization.

It is Asia's third largest stock exchange in terms of market capitalization behind the Tokyo Stock Exchange and the Shanghai Stock Exchange and fifth largest in the world. As of 31 Dec 2010, the Hong Kong Stock Exchange had 1,413 listed companies with a combined market capitalization of \$2.7 trillion.

During the past decade, as Hong Kong's manufacturing industry moved to the mainland, its service industry has grown rapidly and in 2009 accounted for more than 90% of the territory's GDP. GDP growth averaged a strong 3.8% from 1989 to 2010. Hong Kong's GDP fell in 2009 as a result of the global financial crisis, but a recovery began in third quarter 2009, and the economy grew nearly 6.8% in 2010. The Hong Kong government adopted several temporary fiscal policy support measures in response to the crisis that it may discontinue if strong growth is sustained. Credit expansion and tight housing supply conditions caused Hong Kong property prices to rise rapidly in 2010, and some lower income segments of the population are increasingly unable to afford adequate housing. Hong Kong continues to link its currency closely to the US dollar, maintaining an arrangement established in 1983.

As one of the world's leading international financial centres, Hong Kong has a major capitalist service economy characterised by low taxation and free trade. The currency, Hong Kong dollar, is the eight most traded currency in the world as of 2010. Hong Kong was once described by Milton Friedman as the world's greatest experiment in laissez-faire capitalism. It maintains a highly developed capitalist economy, ranked the freest in the world by the Index of Economic Freedom for 15 consecutive years. It is an important centre for international finance and trade, with one of the greatest concentrations of corporate headquarters in the Asia-Pacific region.

The Hong Kong Government has traditionally played a mostly passive role in the economy, with little by way of industrial policy and almost no import or export controls. Market forces and the private sector were allowed to determine practical development. Under the official policy of "positive non-interventionism", Hong Kong is often cited as an example of laissez-faire capitalism. Following the Second World War, Hong Kong industrialised rapidly as a manufacturing centre driven by exports, and then underwent a rapid transition to a service-based economy in the 1980s. Since then, it has grown to become a leading center for management, financial, IT, business consultation and professional services.

Hong Kong matured to become a financial centre in the 1990s, but was greatly affected by the Asian financial crisis in 1998, and again in 2003 by the SARS outbreak.

A revival of external and domestic demand has led to a strong recovery, as cost decreases strengthened the competitiveness of Hong Kong exports and a long deflationary period ended. Government intervention, initiated by the later colonial governments and continued since 1997, has steadily increased, with the introduction of export credit guarantees, a compulsory pension scheme, a minimum wage, anti-discrimination laws, and a state mortgage backer.

The territory has little arable land and few natural resources, so it imports most of its food and raw materials. Agricultural activity -- relatively unimportant to Hong Kong's economy and contributing just 0.1% of its GDP -- primarily consists of growing premium food and flower varieties.

Hong Kong is the world's eleventh largest trading entity, with the total value of imports and exports exceeding its gross domestic product. It is the world's largest re-export centre. Much of Hong Kong's exports consist of re-exports, which are products made outside of the territory, especially in mainland China, and distributed via Hong Kong. Its physical location has allowed the city to establish a transportation and logistics infrastructure that includes the world's second busiest container port and the world's busiest airport for international cargo. Even before the transfer of sovereignty, Hong Kong had established extensive trade and investment ties with the mainland, which now enable it to serve as a point of entry for investment flowing into the mainland.

At the end of 2007, there were 3.46 million people employed full-time, with the unemployment rate averaging 4.1% for the fourth straight year of decline. Hong Kong's economy is dominated by the service sector, which accounts for over 90% of its GDP, while industry constitutes 9%. Inflation was at 2.5% in 2007.

Hong Kong's largest export markets are mainland China, the United States, and Japan.

As of 2010, Hong Kong is the eighth most expensive city for expatriates, falling from fifth position in the previous year. In 2011, Hong Kong was ranked second in the Ease of Doing Business Index, behind Singapore. General principle No. 5 of the Basic Law of the SAR suggests that the CPC expects that it shall have brought the economic system of the Mainland and Hong Kong into harmony by 2047, by which time the Chinese economy is predicted to have been the largest by any measure of GDP for decades.

ECONOMIC DATA:

GDP (purchasing power parity)	\$325.8 billion (2010 est.) country comparison to the world: 37 \$305 billion (2009 est.) \$313.3 billion (2008 est.) note: data are in 2010 US dollars
GDP (official exchange rate)	\$225 billion (2010 est.)
GDP - real growth rate	6.8% (2010 est.) country comparison to the world: 39 -2.7% (2009 est.) 2.3% (2008 est.)
GDP - per capita (PPP)	\$45,900 (2010 est.) country comparison to the world: 13 \$43,200 (2009 est.) \$44,600 (2008 est.) note: data are in 2010 US dollars
GDP - composition by sector	agriculture: 0% industry: 7.4% services: 92.5% (2010 est.)
Investment (gross fixed)	21.4% of GDP (2010 est.) country comparison to the world: 74
Budget	revenues: \$46.79 billion expenditures: \$38.94 billion (2010 est.)
Taxes and other revenues	20.8% of GDP (2010 est.) country comparison to the world: 150
Budget surplus (+) or deficit (-)	3.5% of GDP (2010 est.) country comparison to the world: 18
Public debt	17.2% of GDP (2010 est.) country comparison to the world: 113 37.7% of GDP (2009 est.)
Commercial bank prime lending rate	5% (31 December 2010 est.) country comparison to the world: 162 5% (31 December 2009 est.)

Market value of publicly traded shares	\$2.711 trillion (31 December 2010) country comparison to the world: 6 \$2.292 trillion (31 December 2009) \$1.329 trillion (31 December 2008 est.)
Current account balance	\$14.8 billion (2010 est.) country comparison to the world: 21 \$18.01 billion (2009 est.)
Exports	\$388.6 billion (2010 est.) country comparison to the world: 13 \$316.6 billion (2009)
Exports - partners	China 52.7%, US 11%, Japan 4.2% (2010 est.)
Exports - commodities	electrical machinery and appliances, textiles, apparel, footwear, watches and clocks, toys, plastics, precious stones, printed material
Imports	\$437 billion (2010 est.) country comparison to the world: 9 \$348.7 billion (2009 est.)
Imports - partners	China 45.1%, Japan 9.6%, Taiwan 7.6%, Singapore 4.8%, US 4.7% (2010)
Imports - commodities	raw materials and semi-manufactures, consumer goods, capital goods, foodstuffs, fuel (most is reexported)
Reserves of foreign exchange and gold	\$268.7 billion (31 December 2010 est.) country comparison to the world: 10 \$255.8 billion (31 December 2009 est.)
Debt - external	\$750.8 billion (31 December 2010 est.) country comparison to the world: 18 \$664.7 billion (31 December 2009)
Stock of direct foreign investment - at home	\$1.007 trillion (31 December 2010 est.) country comparison to the world: 5 \$936.4 billion (31 December 2009 est.)
Stock of direct foreign investment - abroad	\$900.1 billion (31 December 2010 est.) country comparison to the world: 6 \$832.1 billion (31 December 2009 est.)
Exchange rates	Hong Kong dollars (HKD) per US dollar - 7.78 (2010) 7.75 (2009) 7.751 (2008) 7.802 (2007) 7.7678 (2006)

IMPORTANT FEATURES:

- Well established English common law system with simple and easy-to-follow statutory requirements
- Official Chinese company names and M&A's are allowed
- Hong Kong companies are subject to taxation on the source of income derived in Hong Kong only. Revenue generated from offshore business or activities is exempt from taxation
- No tax on capital gains and dividends
- No foreign exchange control or currency restrictions
- Corporate directors and shareholders allowed
- No requirements for disclosure of details of beneficial owners to the Companies Registry
- Very low tax rate (16.5% on net profit)
- Beneficiary owner's identity can be hidden from public company record by using Nominee service
- No restriction in fund transfer to and from most part of the world
- Enjoy convenience of international banking system
- Close to and with excellent relationship with Mainland China
- Being international center of information exchange and transportation hub Ready-made companies are allowed

INTRODUCTION AND REQUIREMENTS:

General Information	
Company Law	Companies Ordinance, Cap. 32
Language of Legislation and Corporate Documents	Chinese or English or Both
Legal system	Common Law
Types of Company	Limited
Exchange Controls	None
Length of Time to Incorporate	One week
Shelf Companies Available	Yes
Corporate Names	
Name Restrictions	Names identical, similar or offensive words. "Limited" word must be used
Length of Time to Verify Name Availability	One working day
Reservation of Names Permitted	No
Language of Name	Chinese or English or Both

Capital and Shareholders	
Minimum Number of Shareholders	One
Local Shareholders Required	No
Corporate Shareholders Permitted	Yes
Disclosure of Beneficial Owners for public record	No
Minimum Authorised Capital Required	There is no minimum stated. Standard authorized capital is usually HKD10,000
Minimum paid up Capital Required	HK\$ 1.00
Standard currency	Hong Kong Dollars (HK\$)
Permitted currencies	Any
Bearer Shares Permitted	No
Directors and Officers	
Minimum Number of Directors	One
Qualifications of Directors	Legal age
Company Secretary	Local residency or local incorporated
Corporate Directors Permitted	Yes
Local Directors Permitted	Yes
Appointment of Subsequent Directors	Yes
Publicly accessible records	Yes
Nominee service	Yes
Meetings	
Annual General Meeting of Shareholders Required	Yes
Location of Directors and Shareholders Meetings	Anywhere or in writing or by consent any other method
Quorum required for purposes of meetings	As per the Memorandum and Articles of Association

Local Requirements	
Registered Office in Hong Kong	Yes
Change in domicile permitted	No
Register of Shareholders	Yes
Register of Directors	Yes
Register of Charges	Yes
Documents location and maintenance	At Registered office or the company may file a Notification of Location of Registers to keep them elsewhere.
Company Common Seal Required	Yes

Annual Requirements

Minimum Annual License Fee	Annual Return filing with the Companies Registry and Business Registration renewal with the Inland Revenue Department
Annual Return or Fee Due Date	Company's Anniversary
Fees	Varies
Annual Return submission	Yes
Annual Audited Accounts	Yes

FEE INFORMATION:

Pre- & Post- Incorporation Service Cost	
Name availability check	
Preparation of memorandum & articles of the company and other incorporation documents	
Preparation of registration forms	
Professional & Filing Fees	
Obtain Certificate of incorporation and Business Registration Certificate	
Preparation of compliance corporate kit, including corporate seal, share certificates, register and minutes book	
Minutes of first board meeting	
Resolution to open a bank account	
Incorporation fees (for authorized capital of HK\$10,000)	
Business Registration fees (currently HK\$2,450)	
Service cost	US\$1,500

Other Annual Fees	
Registered Office address	US\$250
Company Secretary, Maintaining the statutory books, preparation of all relevant minutes for Directors' and Shareholders' meetings, Annual Return	US\$350
Provision for providing mailing address	US\$250
Accounting and Auditing	Requires quotation