

# U.S. Country Commercial Guides



**Hong Kong and Macau**

**2017**

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## Market Overview

### Hong Kong

**The Hong Kong economy grew moderately in 2016.** 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, financial services, real estate development (bolstered by ongoing public infrastructure works), and tourism. Hong Kong has benefited from continued economic integration with mainland China's growing 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 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 1,353 subsidiaries of U.S. parent companies in Hong Kong, making the United States the first largest source of subsidiaries in Hong Kong. Among those U.S. subsidiaries, 766 are regional headquarters or regional offices.

**Hong Kong's key characteristics are its openness, tourism, trade and investment.**

- Population: 7.38 million (end-year 2016)
- Visitors: 56.7 million (2016)
- Total GDP: US\$319 billion (2016)
- GDP Per Capita: US\$43,430 (2016)
- GDP Growth: 1.9 percent (2016)
- Trade to GDP Ratio: 305 percent (2016)
- U.S. Exports: US\$34.9 billion (2016).

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

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 has 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.

## Macau

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 shrank by 2.1 percent in 2016.** The economic contraction was mainly due to a slowdown in Macau's gaming sector. 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\$23.8 billion in U.S. foreign direct investment in the gaming industry (through 2016), 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 markets are Hong Kong, mainland China and the United States, while imports originate primarily from mainland China and Hong Kong.

**Macau's huge gaming sector dominates the economy.** Gaming revenues declined significantly due to China's anti-corruption campaign, but, mainly due to gaming capacity increases, are expected to increase over the next several years. Taxes on gaming revenues accounted for over 78.0 percent of the Government of Macau's (GOM) revenues in 2016, generating a mild budget surplus.

**Macau's Key Characteristics are its rapid growth in tourism and inbound investment.**

Population: 644,900 (end-2016)

Visitors: 30.9 million (2016)

Total GDP: US\$44.8 billion (2016)

GDP Per Capita: US\$69,320 (2016)

U.S. Exports: US\$631.8 million, 7.1 percent of Macau's imports (2016)

Trading Partners: Mainland China, Hong Kong, Japan, EU, South Korea, Australia 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**

Hong Kong

**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, may face higher costs and longer delays than if they had first engaged a Hong Kong-based intermediary.

## Macau

**Gaming and tourism eclipse other sectors.** In 2016, Macau's gross gaming revenue reached US\$27.9 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

### Hong Kong

**Excellent prospects for U.S. suppliers:** Leading export sectors for U.S. firms include electronic components, medical equipment and pharmaceuticals, aviation and airport equipment, transportation infrastructure, 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\$10.2 billion are in various stages of planning or execution:** Ongoing projects include the West Kowloon Cultural District, the University of Hong Kong Campus Expansion, Ocean Park amusement park enhancement, the Harbor Area Treatment Scheme, the Hong Kong-Zhuhai-Macau Bridge, multiple subway and light rail lines, and the Guangzhou-Shenzhen-Hong Kong Express Rail Link. New projects include the Hong Kong International Airport Expansion Plan and tourism infrastructure and city improvement plans. The Kai Tak Airport Redevelopment has been an ongoing project; however, due to the magnitude of the project there will also be new tenders.

**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.

**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 <http://selectusa.commerce.gov/> or contact: (202) 482-6800 / (852) 2521-1467 in Hong Kong.

## Macau

**U.S. exports to Macau.** In 2016, U.S. capital goods, and fuel and lubricants (in comparison with 2015) dropped by 30.8 percent and 45.31 percent, respectively. Consumer goods and raw materials/semi-finished products dropped by 15.21 percent and 53.16 percent, respectively.

**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 ongoing private and public projects are the development of the Cotai Strip (Las Vegas Sands added 5,800 additional rooms to three new hotels; neighboring competitor, Hong Kong-based SJM and Galaxy Entertainment, MGM Macau, and Wynn also planned to add new facilities), a new Light Rail Transit System, and the Hong Kong-Zhuhai-Macau Bridge. New projects include the Pac On Ferry Terminal.

**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 finished a full-scale relocation of the University of Macau to Hengqin Island in August 2014. With focused planning and support from Beijing, Hengqin could help diversify Macau's own economy beyond gaming.

## **Market Entry Strategy**

### **Hong Kong**

**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**

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.

## **Political Environment**

### **Political Environment**

- **Hong Kong**
- **Macau**

## **Selling U.S. Products & Services**

### **Using an Agent to Sell U.S. Products and Services**

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**

### **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

Additional information including detailed step-by-step guidance for setting up in Hong Kong

**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.

**Franchising**

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. Many U.S. franchises have established relationships with Hong Kong-based firms to develop the mainland China market.

## **Direct Marketing**

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 a brisk pace. 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. On April 1, 2013, the new Personal Data Ordinance took effect regulating the use of personal data for direct marketing. The Digital + Direct Marketing Association Asia (D+D) works with regulatory bodies to ensure that regulations do not have an adverse effect 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**

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.

## **Selling to the Government**

### **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 2016, GLD spent US\$14.98 million on American products (such as encryption solutions, x-ray checkers, spare parts for marine diesel engines, integrated high performance liquid chromatographic systems with ultra-high resolution mass analyzer etc.) winning approximately 4.4 percent of the total procurement contracts (about US\$338.7 million). This was up from a total of approximately 2.13 percent of total procurement contracts in 2015.

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). A revised GPA took effect on April 6, 2014 for Hong Kong, Canada, the European Union (EU), Iceland, Israel, Liechtenstein, Norway, Singapore, Taiwan and the United States. The revised GPA expanded the procurement opportunities covered under the GPA by US\$80-100 billion per year, on top of the approximate US\$1 to 1.5 trillion already covered under the last GPA. With the revised GPA, new work programs on small and medium enterprises (SMEs) and sustainable procurement has begun.

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. 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

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 Procurement and Contract Management System (PCMS) or in writing to the Director of Government Logistics. 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 or enquiries relating to application for inclusion in the GLD Supplier Lists and general tendering matters are encouraged to contact:

Suppliers Officer (Technical Secretariat)

Government Logistics Department  
9/F, North Point Government Offices  
333 Java Road, North Point  
Hong Kong  
Tel: (852) 2231-5298  
Fax: (852) 2807-2764  
Email: hktender@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 and click on "Proclamation" on the menu, and click on "Gov. Tender."

### **Project Financing**

Many governments finance public works projects through borrowing from the Multilateral Development Banks. Please refer to "Project Financing" Section in "*Trade and Project Financing*" for more information.

### **Distribution & Sales Channels**

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.

## **Express Delivery**

Hong Kong's express industry is dominated by a few multinational players including DHL, UPS, FedEx, Expeditors, Panalpina, Kerry Logistics and Schenker. Typical express services involve transport logistics of door-to-door deliveries with guaranteed time and traceable location. With Hong Kong's well connected air and land connectivity, express delivery firms are able to deliver the goods within the same day to major Asian cities and next day delivery to cities in Europe and in America. Efficient customs clearance is also an important element in the express industry. Hong Kong International Airport speeds up this process by providing integrated Electronic Data Interchange (EDI) with eight major air cargo operators and the Customs & Excise Department, which allows pre-arrival customs clearance for all types of cargo. In the World Bank's 2016 Logistics Performance Index, Hong Kong ranked 9<sup>th</sup> among 160 regions and second in Asia.

## **Selling Factors & Techniques**

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.

## **eCommerce**

### **Hong Kong**

Hong Kong has maintained its position as one of the world's leading digital cities with personal computer(PC), smartphone penetration and Internet usage at a consistently high level. According to the latest government survey conducted in 2016, over 2 million households (compared to 1.99 million in 2014) in Hong Kong had PC, representing 80.6% of all households in Hong Kong. Among them, some 1.99 households (compared to 1.92 million in 2014) had their personal computer at home connected to the internet, representing 79.5% of all households in Hong Kong. Although the growth in both PC and household PC internet connection are insignificant or had stabilized in the past two years, the survey shown significant growth of the percentage of persons aged 10 and above who had used internet service increased from 79.9% in 2014 to 87.5% in 2016.

The significant increase in internet usage was largely due to the wider availability and usage of smartphone. It is reported that close to 5.5 million persons aged 10 and above had smartphone in 2016, which was approximately 0.58 million more units than there were in 2014. The percentage of persons aged 10 and above who had used smartphone for connection to the internet reached 98% in 2014, compared to 94.7% in 2014.

In terms of internet usage behavior, when compared to 2014, there were significantly more persons aged 10 and above who had used internet service in 2016 for online music, online video program (83.7% in 2016 versus 73.9% in 2014), and for carry out social activities such as Whatsapp, WeChat and Line (96.5% in 2016 versus 90.7% in 2014). In terms of online purchase, 65% of persons aged 15 and above had purchased daily necessities, clothing, and footwear online, comparing to 56.4% in 2014. Other online purchase such as travel arrangement had increased from 26.7% in 2014 to 38.6% in 2016 .

There is also a slight increase in the percentage of persons aged 10 and over who had used online government services, from 56.2% in 2014 to 58.5% in 2014.

On the business side, IT usage has also increased steadily. Based on the most recent government survey, in 2015, 76.3% of the business establishments used computers and 79.9% of business establishments use internet. As compared to the results of the survey conducted in 2003, the percentage of businesses using PCs was 54.8%, and the percentage of businesses having an internet connection was 47.5%. IT usage in the business sector is continuously on the uptrend.

In terms of e-commerce sales transaction, the latest government survey, in 2015 reported that around 6.8% of all business establishments had received sales orders online in the 12 months before enumeration. The report also showed that around 15.6% of the establishments had placed purchase orders online in the 12 months before enumeration. Online purchases were more prevalent in large establishments with over 50 employees.

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\$ 600 million in fiscal year 2011/2012 to an estimation of US\$ 1 billion in fiscal year 2016/2017. Below are some figures relating to e-Government:

- Number of visits to GovHK (Feb 2016–Jan 2017) 57,375 per day on average
- Number of e-government transactions (2015) over 720 million

## Macau

Macau's internet user penetration rates are amongst the highest in the world at close to 72.6%.

As of April 2017, there are approximately 433,752 Internet subscribers.

## Trade Promotion & Advertising

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) 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 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 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 opened in Macau, adding nearly one million square feet of exhibition space. Macau also boasts the well-established Macau Tower 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 2.46 million households out of a population of 7.37 million people – three domestic free television program service licensees, three domestic pay television program service licensees, 11 non-domestic television program service licensees. One government funded public service broadcaster and two 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 736 publications, including 53 daily newspapers (26 Chinese, 12 English, ten bilingual, five Japanese), and 683 periodicals. Advertising agencies, including many international firms, offer a full range of services in Hong Kong.

#### English Newspapers

[South China Morning Post](#)

[The Standard](#)

[Wall Street Journal Asia](#)

[Macau Post Daily](#)

[Macau Daily Times](#)

#### Chinese Newspapers

[Apple Daily](#)

[Hong Kong Economic Journal](#)

[Hong Kong Economic Times](#)

[Ming Pao Daily News](#)

[Oriental Daily News](#)

[Sing Tao Daily](#)

[Macao Daily](#)

#### Trade Journals

[Biz.hk \(AmCham Monthly\)](#)

[Building Journal \(Monthly\)](#)

[Construction & Contract News \(Monthly\)](#)

[Hong Kong Business](#)

[Hong Kong Entrepreneur \(Monthly\)](#)

[Hong Kong Industrialist \(Monthly\)](#)

[Macau Image \(Semi-annual\)](#)

[Macau Business \(Monthly\)](#)

[Macau TradeInvest Information \(Bi-monthly\)](#)

#### Featured U.S. Exporters (FUSE)

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 60 markets around the world including Hong Kong. For detailed information, please visit the [FUSE web site](#).

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)**.

## **Pricing**

Hong Kong is a free port and does not levy a customs tariff or impose a value-added tax. See “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**

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 Intellectual Property**

### **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 Investment Climate Statement - 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 may be protected differently in Hong

Kong and Macau than in the United States. Third, rights must be registered and enforced in Hong Kong and Macau, under local laws. For example, 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 in accordance with international agreements.

Granting patents registrations are generally is based on a first-to-file [or first-to-invent, depending on the country basis. Similarly, registering trademarks is based on a first-to-file [or first-to-use, depending on the country], so you should consider how to obtain patent and trademark protection before introducing your products or services to the Hong Kong and Macau market. It is vital that companies understand that intellectual property is primarily a private right and that the U.S. government 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. [This is a link to a list of legal services providers in Hong and Macau.](#)

While the U.S. Government 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 law suit. In no instance should U.S. Government advice be seen as a substitute for the responsibility of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. 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, 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 Innovation 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 U.S. and other countries -- call the STOP! Hotline: **1-866-999-HALT** or visit [STOP Fakes.gov](http://STOPFakes.gov).
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the [U.S. Patent and Trademark Office \(USPTO\)](http://USPTO.gov) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the United States, contact the [U.S. Copyright Office](http://Copyright.gov) via **1-202-707-3000**.
- The U.S. Commercial Service published "A Basic Guide to Exporting". [The Intellectual Property Section is available here.](#)

The U.S. Department of Commerce has positioned IP attachés in key markets around the world. You can get a [list of the IP attachés and their detailed contact information](#). Below is a list of IP attachés based in China with their email addresses:

Beijing, China

Joel Blank

[joel.blank@trade.gov](mailto:joel.blank@trade.gov)

Guangzhou, China

Timothy Browning

[timothy.browning@trade.gov](mailto:timothy.browning@trade.gov)

Shanghai, China

Michael Mangelson  
michael.mangelson@trade.gov

## **Due Diligence**

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.

## **Local Professional Services**

### Hong Kong

- [Association of Accredited Advertising Agencies of Hong Kong](#)
- [The Direct Selling Association of Hong Kong Limited](#)
- [Hong Kong Designers Association](#)
- [Hong Kong Franchising Association](#)
- [Hong Kong Institute of Marketing](#)
- [Hong Kong Management Association](#)
- [Law Society of Hong Kong](#)
- [Management Consultancies Association of Hong Kong](#)

### Macau

- [The Macau Small and Medium Enterprises Association](#)
- [Macau Lawyers Association](#)
- [Macau Fair & Trade Association](#)
- [Macau Gaming Management Association \(MGMA\)](#)
- [Macau Gaming Research Association](#)

## **Principle Business Associations**

### **Hong Kong**

The American Chamber of Commerce in Hong Kong: AmCham was designed to represent the ever-growing range of American business interests in Hong Kong. In addition, the Chamber serves as a forum for the exchange and development of ideas among members of the business community, both in Hong Kong and throughout the Asia-Pacific region.

Hong Kong General Chamber of Commerce: The Hong Kong General Chamber of Commerce is one of the most dynamic business organizations in Hong Kong. Members represent a wide spectrum of local, Mainland Chinese and international businesses. More than half of the flagship corporations listed on the Hang Seng Index are their members. The Chamber serves as the voice of business, and helps their members succeed through their core functions: advocacy, knowledge-based events, networking, and a variety of business documentation services.

The Federation of Hong Kong Industries: The Federation of Hong Kong Industries' goal is to promote and foster the interests of Hong Kong's industrial and business communities, to promote trade, investment, technological advancement, manpower development, and business opportunities in Hong Kong. The organization also represents business's views and advises the government on policies and legislation which affect business.

### **Macau**

Macao Chamber of Commerce: The Macao Chamber of Commerce supports the industrial and commercial sectors in Macau by safeguarding their legitimate rights and interests and promoting commercial links with other countries and regions.

American Chamber of Commerce in Macau: AmCham Macau was founded in 2007 and stands at the forefront of development in Macau. With new American-based corporations establishing themselves in Macau, AmCham Macau provides insight and business connectivity that is unrivalled by any other international chamber. Through promoting American business interests and practices in Macau, AmCham Macau stands as one of the most influential Chambers. From retail to manufacturing, its members represent both diversity of interests and relationships.

## **Limitations on Selling U.S. Products and Services**

There are no limitations in Hong Kong and Macau on the type of people that can sell U.S. products and services.

## Web Resources

### Hong Kong

- [Hong Kong SAR Government](#)
- [Companies Registry](#)
- [Digital 21 Strategy](#)
- [Government Logistics Department](#)
- [GS1 Hong Kong](#)
- [Hong Kong Productivity Council \(HKPC\)](#)
- [Hong Kong Trade and Industry Department](#)
- [Hong Kong Trade Development Council \(HKTDC\)](#)
- [Information Services Department](#)
- [Intellectual Property Department of Hong Kong](#)
- [Invest Hong Kong](#)
- [Support and Consultation Center for SMEs \(small & medium enterprises\)](#)

### Macau

- [Government of Macao](#)
- [Macau Economic Services](#)
- [Macau Trade and Investment Promotion Institute](#)
- [Macau Government Tourism Office](#)
- [Macao Customs Service](#)

## Leading Sectors for U.S. Exports & Investments

### Agricultural Sector

Hong Kong is a dynamic export market for U.S. agricultural products. Total U.S. agricultural exports reached US\$135 billion in 2016<sup>1</sup>, Hong Kong ranked as the 6<sup>th</sup> largest market for U.S. food and agricultural exports. For U.S. consumer-oriented exports, Hong Kong ranked 4<sup>th</sup> in 2016, with exports reaching US\$3.7 billion in 2016, an increase of 11 percent year on year.

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

- Most food and beverage products enter duty free;

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<sup>1</sup> Source: U.S. BICO Statistics, [FAS Website](#)

- A rules-based import regime and sophisticated infrastructure for trade servicing, including financing and logistics, facilitates Hong Kong's role as a trade destination and regional hub to China and other regional markets;
- An affluent consumer base, with per capita income of US\$43,500<sup>2</sup> in 2016, among the highest in Asia, that spends a significant portion of income on food.

### Outlook for 2017

- Food imports to Hong Kong are expected to continue an upward trend in 2017 helped by economic growth of 4.3 percent in the first quarter of 2017. The Hong Kong government has forecast the economy to grow 2–3 percent in 2017.<sup>3</sup>
- Consumption of grocery products, meats, poultry, eggs and fresh fruit continues to be strong, with demand for natural and organic food and beverages also growing rapidly.
- U.S. agricultural products benefit from a strong reputation as safe, high-quality options.

### Retail Sales and Outlets

In 2016, total retail sales of food and beverages in Hong Kong reached US\$12.06 billion, comparable to 2015. Relatively steady economic growth prospects should help maintain growth in the food retail sales in 2017.

Table 1 – F&B Retail Sales in Hong Kong (US\$ billion)

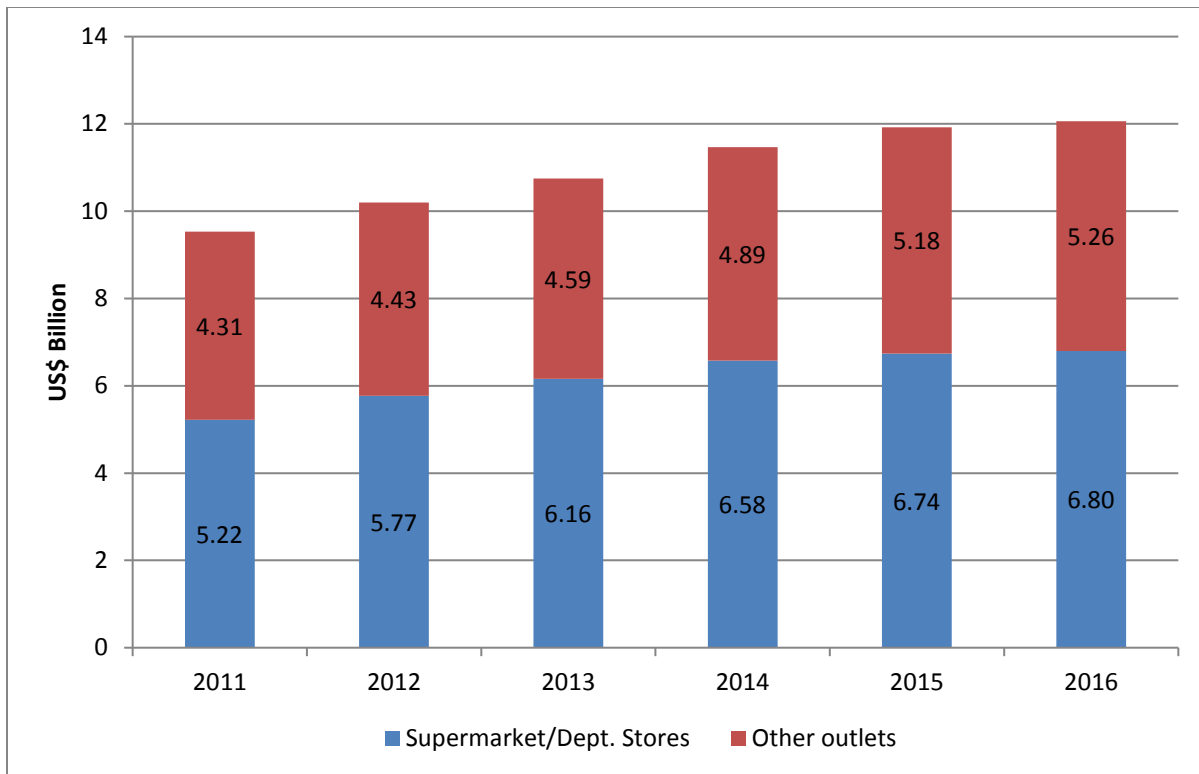
Channel	2011	2012	2013	2014	2015	2016	Growth (16 vs 15)
Supermarket/Dept. Stores	5.22	5.77	6.16	6.58	6.74	6.80	0.8%
Other outlets	4.31	4.43	4.59	4.89	5.18	5.26	1.7%
<b>Total</b>	<b>9.53</b>	<b>10.2</b>	<b>10.75</b>	<b>11.47</b>	<b>11.92</b>	<b>12.06</b>	<b>1.2%</b>

(Source: Hong Kong Census and Statistics Department, US\$1=HK\$7.8)

Chart 1 – F&B Retail Sales in Hong Kong (US\$ billion)

<sup>2</sup> Source: Hong Kong Census and Statistics Department

<sup>3</sup> Source: Hong Kong Government – [Economic Situation in the First Quarter of 2017 and Latest GDP and Price Forecasts for 2017](#)



Hong Kong has a highly centralized supermarket retail network in which two supermarket chains account for about 75 percent of the supermarket turnover. The total number of retail establishments stands at approximately 10,500. Retail shops in Hong Kong generally are very small in size. Very often there are no more than 10 employees.

Traditionally, Hong Kong consumers shop daily because of a preference for fresh food. Much of the shopping is still done in traditional markets including street markets and locally-owned shops. Overall, street market sales trend toward fresh foods while supermarkets dominate in processed, chilled and frozen, high-value added and canned food products. The competition between street markets and supermarkets has intensified in recent years.

Although the number of supermarket outlets is expected to remain stable, the market share for supermarket sales is expected to continue in the future at the expense of traditional street markets. The supermarket's share in terms of total retail sales rose from 44 percent of total sales in 1995 to 56.4 percent in 2016.

Table 2 – Sales by Retail Outlet

Outlet	2011	2012	2013	2014	2015	2016
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Outlet	2011	2012	2013	2014	2015	2016
Supermarkets / Dept. Stores	55%	57%	57.3%	57.4%	56.5%	56.4%
Other outlets	45%	43%	42.7%	42.6%	43.5%	43.6%
Total	100%	100%	100%	100%	100%	100%

(Source: Hong Kong Census and Statistics Department)

## HRI Food Service Sector

### *Restaurants*

Hong Kong boasts around 14,000 restaurants which range from local favorites to 61 Michelin star operations.

In 2016, Hong Kong restaurant food and beverage purchases, valued at US\$4.56 billion, generated estimated sales of US\$13.77 billion, an increase of 1.2 and 2.9 percent, respectively, over 2015. Sales prospects for purchases in 2017 remain strong.

Table 3 – Hong Kong Restaurants Receipts and Purchases (US\$ Billion)

	2014	2015	2016	Growth (16 vs15)
Restaurant Receipts	12.87	13.38	13.77	2.9%
Restaurant Purchases	4.41	4.51	4.56	1.2%

(Source: Hong Kong Census & Statistics Department, US\$1=HK\$7.8)

For Hong Kong statistical purposes, restaurants are grouped into five broad categories: Chinese, non-Chinese, fast food, bars and other establishments.

### *Chinese Restaurants*

Chinese cuisine is the top grossing restaurant category, according to Hong Kong Census and Statistics Bureau, and it will continue its dominant share in the market due to deeply rooted cultural events, such as banquets for weddings and dim sum lunches, often enjoyed by groups of working class adults and families. Among all Chinese cuisines, Cantonese is the most widely available, with others including Shanghaiese, Sichuan and Chiu Chow also providing many options to diners.

### *Non-Chinese Restaurants*

Due to its history as a global trade hub, sophisticated and affluent Hong Kong consumers have an enthusiasm for a range of international cuisines made from high-quality ingredients. Footprints of restaurants offering non-Chinese cuisine

options, including Western, Japanese, Korean, Thai, Vietnamese, Indian, and more, are found everywhere in Hong Kong, leading to numerous opportunities for usages of U.S. foods and beverages as ingredients and for pairing.

### *Fast Food*

Fast food outlets suit Hong Kong's quick-paced lifestyle where dining out twice per day at convenient locations is not uncommon. Competition among fast food chains is intense as brands strive to retain customers and raise brand awareness. McDonald's, KFC and Pizza Hut are recognized options across the region as are more local chains, such as Café De Coral, Maxim's and Fairwood, that serve both Chinese and Western foods. To stay competitive, fast food operators are updating outlets and adding new healthier food options. For example, in December 2015, McDonald's opened the world's first "McDonald's Next" in Hong Kong - an elevated concept featuring a glass and metallic interior, mobile-charging stations, Wi-Fi, self-ordering options and a salad bar - with table service after 6 p.m. and premium coffee blends.

### *Bars*

Hong Kong's vibrant nightlife is renowned and is served by more than 1,000 bars, pubs and other eating and drinking establishments across Hong Kong. Beer is a popular drink with wine and spirits seeing growing demand. According to a 2015 Euromonitor report, between 2009 and 2014 the volume of wine consumed increased by 30% while spending on wine increased by 240% (in real terms) to reach HKD8.1 billion (approximately USD1 billion) reflecting growing demand by increasingly sophisticated wine drinkers for quality imported wines. Demand for fine imported spirits is also expected to continue to rise. Craft beers are also in rising demand by thirsty Hong Kong consumers.

### *Other Establishments*

"Tea restaurants" offer a range of localized Western and Chinese cuisines and beverages. Milk tea is a particular local favorite consisting of adding milk (evaporated or condensed) to various tea combinations. Nevertheless, the Asian coffee market has grown an average 4% per annum since 2000, with the number of specialty coffee shops surging in the past 10 years. Young adults view coffee as an element to enhance their lifestyle and they seek out expertise in brewing options. Starbucks has opened Starbucks Reserve outlets incorporating urban street art and live performances. The leading chains, by market share in value terms, are Starbucks, Pacific Coffee, and McCafe<sup>4</sup>.

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<sup>4</sup> Euromonitor International, Cafes/Bars in Hong Kong, China, May 2016

## Hotels

The tourism industry is a major pillar of the Hong Kong economy, contributing 5 per cent to its GDP in 2014 and employing around 271, 800 persons (7.2 per cent of total employment). In 2016, tourist arrivals reached 57 million, with visitors from Mainland China representing 75 per cent of travelers. Visitor numbers are expected to reach 70 million by 2017, per InvestHK, as the rapid growth of business and leisure travel in Asia drives increased demand for accommodation at every price level.

In response, Hong Kong's hotel room supply continues to increase. As of the end of March 2016, there were 257 hotels offering 74,290 rooms compared with 167 hotels and 59,627 rooms at the end of 2009, reflecting 52% and 25% respective growth rates. The average occupancy rate was 86% in 2015 and 83% in the first quarter of 2016. According to the Hong Kong Tourism Board, the hotel supply in Hong Kong should increase at a compound-average-annual-growth rate of 4% in the next several years, reaching a total of 303 hotels with 83,408 rooms by 2019. The majority of the new supplies will be in Kowloon, especially in the Yau Tsim Mong and Sham Shui Po districts where large-scale urban redevelopments have been taking place.

Hong Kong recorded \$2.24 billion in hotel investment sales or 24.8% of the region's total volume and at a whopping 677% increase from the previous year, according to Hong Kong Business magazine. The sale of the premier luxury hotel, InterContinental Hong Kong, which sold for \$938 million, was the largest single hotel transaction in Asia Pacific and the second largest in the world in 2016.

## Institutions

Hong Kong's institutional foodservice sector consists of hospitals, residential care facilities, schools, prisons and travel industry catering facilities. Many of these facilities, especially those operated by the government, purchase food supplies through tenders. Experienced local importers are familiar with the process and requirements.

### *Hospitals*

Hong Kong has 42 public hospitals and institutions, managed by the Hospital Authority, and 11 registered private hospitals. Some of the meal services are outsourced to caterers and distributors. For example the Hospital Authority periodically invites tenders for supplying drinking water and catering services.

### *Schools*

There are over 1,000 kindergartens, over 600 primary schools and secondary schools respectively, and 29 post-secondary educational institutions in Hong Kong with

dietary health concerns in school lunches an ongoing discussion. The Government provides guidelines for schools to adopt appropriate procedures to select the lunch and snacks supplier most capable of providing healthy, nutritious and environmentally friendly lunch and snacks. Most public schools employ caterers to deliver lunch boxes to schools.

### *Prisons*

The Hong Kong Correctional Services managed some 6,800 correctional institutions including prisons and rehabilitation centers. Inmates receive meals that are approved by dietitians, the Department of Health and in accordance with international health guidelines<sup>5</sup>.

### *Airlines*

With a central location less than five flying hours from half of the world's population and connections to over 190 destinations, the Hong Kong airport handled 70.5 million passengers in 2016. As a pivotal component of the airline industry, the Hong Kong airport catering facilities provided over 15,000 meals per day to the airline companies. Given the competition among airlines, airlines have an increasingly high standard for the meals provided to their clients. Some partner with famous restaurateurs to design menus for business and first class passengers.

### *Cruise Ships*

In addition, Hong Kong is increasingly popular as a cruise hub due to the development of the Kai Tak Cruise Terminal – the former site of the city's urban airport in Kowloon – that can accommodate the largest ships in the cruise industry. The increasing number of calls of luxury cruises to Hong Kong bodes well for the demand for fine dining needs both during the cruises and in the city during on-shore excursions.

### *Entertainment Parks*

The two major theme parks in Hong Kong are Hong Kong Disneyland and Ocean Park Hong Kong. Both these theme parks have in-house food preparation facilities, but they also outsource some restaurants and other food and beverage outlets to caterers. The two parks provide more than a dozen restaurants or cafés that offer various cuisines, and many snack kiosks that offer local and international treats.

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<sup>5</sup> [Former inmate challenges policy over Chinese and Western meals in Hong Kong prisons, South China Morning Post, August 18, 2015](#)

## Outlook for the HRI Sector in 2017

As hotel and restaurant expansions continue into 2017, demand for high-quality U.S. food and beverage products by the HRI food service sector in Hong Kong is expected to remain robust. Healthy, nutritious options are increasingly found on restaurant menus as changing lifestyles and consumer awareness of transparent and sustainable food sourcing are in demand.

## Best Prospects for U.S. Consumer Oriented Food Product Exports in 2017

U.S. food and beverage products will continue to enjoy good prospects in Hong Kong:

- Hong Kong has a highly-developed marketing system, with tourists (57 million in 2016) and affluent consumers demanding high-value imports. Per capita income (over US\$43,500) in Hong Kong is among the highest in Asia, with a significant portion of income spent on food.
- With the link between the U.S. Dollar and Hong Kong Dollar, price stability makes purchases from the United States attractive.
- Hong Kong will continue to be a key gateway for trade to China and other ASEAN markets.
- The following products are expected to be top prospects for U.S. consumer-oriented food product exports in 2017:
  - Meat
  - Poultry
  - Nuts
  - Fresh Fruits
  - Fish & Seafood

For more information about this industry sector, please contact the U.S. Agricultural Trade Office in Hong Kong:

### U.S. 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](mailto:atohongkong@fas.usda.gov)

## **Computer/Information Technology Equipment (CPT)**

Overview

Unit: USD thousands

	2015	2016	2017(forecasted)	2018(forecasted)
Total Market Size (Hardware only)	1,878,535	1,718,123	1,735,304	1,752,657
Total Local Production	51,267,452	47,479,123	47,953,914	48,433,453
Total Exports	50,514,226	46,806,000	47,274,060	47,746,801
Total Imports	45,111,000	41,199,000	41,610,990	42,027,100
Imports from the U.S.	1,125,309	1,045,000	1,055,450	1,066,005
Exchange Rate: 1 USD	7.8	7.8	7.8	7.8

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

Hong Kong's IT equipment (computer and parts) imports in 2016 dropped 8.5% to US\$ 42 billion. The value of U.S. IT equipment exports to Hong Kong in 2016 was US\$ 1 billion, a 7% decrease over 2015, representing 2.5% of Hong Kong's total IT imports. The drop in hardware sales is a result of saturation in most hardware product categories as well as a decline in China tourist spending in 2016.

#### Hong Kong IT Spending

Unit: USD thousands

Sales	2015	2016	2017(forecasted)	2018(forecasted)
Computer Hardware	1,878,535	1,718,123	1,735,304	1,752,657
Software	1,629,306	1,698,329	1,784,319	1,870,566
Services	2,798,586	2,955,784	3,099,486	3,266,324
Total IT Spending	6,306,427	6,372,237	6,619,109	6,889,546
Exchange Rate: 1 USD	7.8	7.8	7.8	7.8

Although there are no Hong Kong government official statistics for software and IT services, Business Monitor International (BMI) estimated that Hong Kong's total IT spending in 2016 was US\$6.3 billion, representing a slight increase of 1% from 2015.

According to BMI's analysis, a sharp spending decline of 8.5% in hardware market dragged down the overall IT spending in 2016. The volatility in the hardware market was the result of the boom and subsequent slowdown in the tablet market as well as concentrated desktop and notebook replacement demand in 2014. BMI expected a return to growth for hardware spending in Hong Kong but the segment will continue to underperform with 1% estimated compound annual growth rate in 2017. In contrast to the hardware market, spending in software and services in 2016 have grown 5% and 4.8%, respectively, driven mainly by cloud computing solutions. BMI also forecasts overall IT spending in Hong Kong will reach \$6.6 billion in 2017, representing a growth of 3.8% from 2016.

### Sub-Sector Best Prospects/Services

Sub-sector best prospects and services include the following:

- Cloud Computing
- Consulting, Training, Integration Service for end-users of Cloud Services.
- Big Data Analytics software
- Internet of Things(IoT)
- Fintech

### Opportunities

#### *Cloud Computing*

BMI estimated that cloud computing spending in Hong Kong reached US\$900 million in 2016. Hong Kong is a leading market in terms of cloud adoption rates, penetration of advanced solutions, and a regional hub for the provision of cloud services. In a recent report published by the Asia Cloud Computing Association, Hong Kong was named the most prepared APAC location in implementation of cloud computing, scoring high in the indexes of addressing data privacy issues, connectivity and datacenter risk management. The Hong Kong Government is also a cloud computing advocate, its GovCloud launched in December 2013 supports about 30 government bureaus and departments in rolling out their common e-government services. BMI estimated that the cloud computing market will continue to expand rapidly with a forecast of 15.3% compound annual growth rate from 2016 to 2021, reaching a value of US\$1.8 billion.

#### *Datacenters*

The Hong Kong datacenter market is a springboard in the sense that international service providers that want to serve China often start in Hong Kong, which does not have requirements like China's Internet Datacenter License, uncertainty about data privacy, and content screening. It is estimated that datacenter revenue reached

US\$708million in 2016, and the market is projected to grow by 15% annually, reaching US\$1.39 billion by 2020. The Hong Kong Government has been promoting Hong Kong as a prime location for datacenters in Asia Pacific. The plan is part of the government's Digital 21 Strategy, with the creation of the Datacenter Facilitation Unit, to provide one-stop helpdesk service to assist datacenter operators interested in setting up datacenters in Hong Kong. The unit will liaise with other government departments on matters such as statutory approval processes and compliance requirements and procedures. The government has also created incentives such as waivers for repurposing old industrial buildings into datacenters; and setting aside land in satellite towns for high-tier datacenters. This makes Hong Kong one of the world's most lucrative markets for datacenter service providers.

### *FinTech*

In order to maintain its status as Asian financial hub, the Hong Kong Government has announced in its 2016 Fiscal budget that it will allocate US\$2 billion investment into the financial technology (fintech) sector. Under the proposal, a dedicated team, under Invest Hong Kong, will be set up to organize international events and encourage fintech start-ups, investors, and R&D institutions to set up in Hong Kong. Additionally, the Government also announced that Cyberport (Hong Kong's IT flagship) will provide 3,000 square meters of co-working space to fintech businesses and support 150 fintech startups over the next five years. This is a great opportunity for U.S. fintech companies who are interested in starting business in Hong Kong.

### *Internet of Things (IoT)*

Hong Kong, with a world-class IT network infrastructure and well-developed ICT applications, is a recognized leader in Smart Cities technologies. In 2013, Forbes named Hong Kong among the world's top tech capitals to watch after Silicon Valley and New York. Hong Kong also stood 4<sup>th</sup> in the ranking of the ten smartest Asia-Pacific cities published by Boyd Cohen in 2013. Cohen remarked that Hong Kong scored the highest in his ranking for smart mobility because of the prevalence of public transport and the ubiquitous use of electronic payments. A good example is the City's Octopus Card, which is usable on almost all public transport and accepted by more than 13,000 retail outlets on Hong Kong, with over 13 million transactions per day. The HKSAR Government attaches great importance to smart city development, such can be seen by the establishment of the "Innovation and Technology Bureau (ITB)" in November of 2015, with the mission of formulating holistic policies relating to innovation and technology; strengthening co-ordination among the Government, industry, academia and research sectors; and expediting the development of innovation, technology and related industries in Hong Kong. The Government has also commenced a consultancy study for Hong Kong's Smart City

Development Blue Print which is expected to be completed in July 2017. Hong Kong could be a key regional location for the development of emerging technologies such as IoT and big data analytics.

## Web Resources

### *Major Trade Shows/Events*

#### Cloud Expo Asia

Date: May 24-25, 2017

Description: exhibition and conference

#### Internet Economy Summit

Date: April, 2018

Description: a list of annual ICT events in April

### *Associations*

#### Hong Kong Information Technology Federation Ltd.

Contact: Erwin Huang, President

Tel: (852) 3101 8197

Fax: (852) 3007 4728

Email: [info@hkitf.org.hk](mailto:info@hkitf.org.hk)

#### Hong Kong Internet Service Providers Association

Contact: Lento Yip, Chairman

Tel: (852) 28201-1109

Fax: (852) 3011-3108

Email: [lento@hkispa.org.hk](mailto:lento@hkispa.org.hk)

#### Hong Kong Wireless Technology Industry Association Ltd.

Contact: Kenny Yiu, Chairman

Tel: (852) 2370-3130

Fax: (852) 8208-8782

Email: [contact@hkwtia.org](mailto:contact@hkwtia.org)

### Information and Software Industry Association

Contact: Kong Chi Wing, Chairman

Tel: (852) 2622-2867

Fax: (852) 2622-2731

Email: [info@isia.org.hk](mailto:info@isia.org.hk)

### Smart City Consortium

Contact: Eric Yeung, Convener

Tel: (852) 3480-4230

Fax: (852) 3020-8812

Email: [eric.yeung@smartcity.org.hk](mailto:eric.yeung@smartcity.org.hk)

### *ICT Journals in Hong Kong*

- TelecomAsia
- ComputerWorld Hong Kong
- Hi-Tech Weekly (best-selling Chinese language magazine)

For more information about this industry sector, please contact the U.S. Commercial Service in Hong Kong:

U.S. Commercial Service, Hong Kong

Fanny Chau, Commercial Specialist

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## **Cosmetics and Toiletries (COS)**

### Overview

Unit: USD thousands

	2015	2016	2017 (estimate d)	2018 (estimate d)
Total Market Size	2,125,004	2,424,310	2,746,091	3,167,089
Total Local Production	105,632	109,857	116,449	128,094
Total Exports	1,820,535	1,872,786	2,060,065	2,307,272
Total Imports	3,839,907	4,187,239	4,689,707	5,346,267

	2015	2016	2017 (estimate d)	2018 (estimate d)
Imports from the U.S.	476,678	452,358	474,976	512,974
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 United States: Hong Kong Trade Statistics

Imports dominate Hong Kong's large, lucrative and growing market for cosmetics, toiletries, and skincare products. South Korea was Hong Kong's largest supplier of the US\$2.4 billion market in 2016. France, Japan, the United States, and China were the other major suppliers. Hong Kong imported US\$452 million worth of cosmetics, toiletry and skincare products from the United States in 2016, a slight decrease compared to 2015. The increasing popularity of skincare and cosmetic products from South Korea, which are lower in price than those from the United States, may have contributed to the drop in imports. Import of cosmetics, personal care products, and skincare products from South Korea has grown by double-digits for the past few years and in 2016 became Hong Kong's largest source of imports, overtaking France for the first time. Hong Kong's imports of cosmetics, toiletry and skincare products will likely grow at about 12 to 14 percent in 2017 and 2018, despite a slower rate of spending on these products from mainland Chinese visitors to Hong Kong. Domestic demand from Hong Kong consumers will also remain strong.

Importantly, Hong Kong is also a major entry point for new cosmetics and skincare products in the mainland Chinese market. Hong Kong serves as a showcase for the millions of Chinese tourists (42.8 million in 2016) that annually visit Hong Kong, often with shopping for personal, family or even re-sale use as a primary travel objective. For local retailers and distributors of cosmetics, toiletry and skincare products, increased sales in the next few years is expected to continue 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, 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.

### Sub-Sector Best Prospects

Products with the best sales prospects in Hong Kong are:

- Facial-whitening and anti-aging products, especially those containing Vitamin C;
- “Dermo-skincare products” for retail distribution and distribution to doctors;
- Hair-coloring products;
- Fake eyelashes, eyelash-extension products, and eye make-up;
- Nail colors, nail-care products, soft gel nails 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, as well as hypo-allergenic toiletry products with low concentrations of fragrance and preservatives;
- Skincare products for men;
- Hair styling and grooming products for men;
- Products for treating acne; and

- Private labeling /OEM of skincare products and cosmetics for the leading chain stores.

## Opportunities

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 for cosmetics.

Demand from tourists accounts for about 35 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. U.S. cosmetic products 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 30.9 million visitors in 2016 of which 66 percent or about 20 million were from China. Chinese visitors to Macau purchase skincare products and cosmetics in the major casino resorts' shopping malls.

## Trade Shows and Web Resources

**Cosmoprof Asia 2017.** Cosmoprof Asia is Asia's largest and most comprehensive international beauty industry trade show. It features 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 buyer matching and counseling services of U.S. Commercial Service offices in the Asia Pacific region and beyond.

**The Cosmetic & Perfumery Association of Hong Kong Ltd.** A listing of the Association's members comprising contact details of importers, distributors, wholesalers, and retailers.

**Hong Kong Cosmetic Technical Resources Center.** The center 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 establishing laboratories. More information is available at the HKCTRC.

For more information about this industry sector, please contact the U.S. Commercial Service in Hong Kong:

U.S. Commercial Service, Hong Kong  
 Ms. Sweekeng Cheong, Commercial Specialist  
 Tel: (852) 2521-5233  
 Fax: (852) 2845-9800  
 Email: [sweekeng.cheong@trade.gov](mailto:sweekeng.cheong@trade.gov)

## Education/Training (EDS)

### Overview

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

	2014/2015	2015/2016 <sup>6</sup>	2016/2017 (estimated)	2017/2018 (estimated)
Hong Kong Students in the US	8,012	7,923	7,764	7,570
Macau Students in the US	573	586	616	653

Source: Open Doors Report, Institute of International Education<sup>6</sup>

With 7,923 Hong Kong students studying in the United States during the 2015/2016 academic year, Hong Kong ranked as the 21<sup>st</sup> leading origin of international students in the United States. 66% of these students are undergraduate students.

Hong Kong's education system, which went through a major restructuring initiative from 2008 to 2012, is now comprised of 3 years of junior secondary followed by 3 years of senior secondary schooling. This leads to the HKDSE (Hong Kong Diploma of Secondary Education) exams where students gain admission to a range of post-secondary, vocational, and tertiary courses offered by local schools based on their examination results.

Given the highly qualified and sophisticated applicant pool, Hong Kong's university selection process is extremely competitive; Only 18% of Hong Kong applicants gain admission to local Universities. As such, there is tremendous interest in studying abroad

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<sup>6</sup> [Open Door Reports](#)

## Sub-Sector Best Prospects

Apart from 4-year colleges, there is an emerging market for 2-year community colleges where admission requirements are comparatively lower. Hong Kong students tend to be more interested in community colleges with guaranteed transferable credits to universities.

Recently, there has been a small yet slowly emerging demand for high school education in the United States. The number of non-degree Hong Kong students in the United States increased 12% in the 2015/2016 academic year. This is partly due to a desire to opt out of a too academically-focused and highly competitive education system.

On the other hand, some students tend to think that a private boarding school education can provide them with the academic, cultural and language skills that might improve their chances of entering elite universities in the United States.

## Opportunities

Many Hong Kong high school graduates believe that a U.S. education will boost their job prospects in Hong Kong. Local parents are also beginning to recognize the academic excellence of colleges outside the Ivy League. This is the result of an increasing number of American institutions attending Hong Kong education shows and vigorously promoting themselves to Hong Kong schools and students. Ideally, new-to-market schools should try to meet with high school counselors and students face-to-face to gain exposure and raise their profile. Word of mouth is also a significant factor in college choices. A growing number of colleges and universities are increasingly relying on their Hong Kong alumni as an additional channel to reach potential students as well as donors.

Hong Kong parents commonly employ education agents to search for appropriate schools and provide other related services. U.S. schools should consider partnering with several agents in Hong Kong who are capable of promoting their schools and recruiting students. The U.S. Commercial Service in Hong Kong can provide pre-screened meetings with agents and high schools.

EducationUSA has a strong network with local secondary schools. EducationUSA advisors can serve as a resource of information on education trends, recruiting strategies, contacts, etc. for U.S. higher education representatives. Partner with EducationUSA to coordinate outreach visits, presentations, seminars, teacher workshops, and other opportunities to raise your school's profile in Hong Kong.

Partnering with local schools in joint degree programs, faculty exchange, and student exchange are effective ways to increase visibility and gain recognition.

However, these higher education institutes do take into consideration the uniqueness of the program and sometimes the ranking of the partner school.

## Web Resources

### *Trade Shows*

#### Hong Kong International Education Expo

Dates: 8-9 July, 2017

Venue: Hong Kong Convention & Exhibition Center

Organizer: Neway Trade Fairs

Tel: (852) 2561-5566

Fax: (852)2811-9156

#### The Association of Boarding School Fair

Dates: October 21, 2017

Venue: The Langham, Hong Kong

Organizer: The Association of Boarding Schools

Tel: (828) 258-5354

#### Education & Careers Expo 2018

Dates: February 1-4, 2018

Venue: Hong Kong Convention & Exhibition Center

Organizer: Hong Kong Trade Development Council

Tel: (852) 2240-4605/2240-4010

Fax: (852) 2824-0026

### *Government*

#### Education Bureau

Email: [edbinfo@edb.gov.hk](mailto:edbinfo@edb.gov.hk)

#### EducationUSA

U.S. Consulate General Hong Kong

Public Affairs Section

Email: [hkeducationusa@state.gov](mailto:hkeducationusa@state.gov)

For more information about this industry sector, please contact the U.S. Commercial Service in Hong Kong:

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## Financial Services

### Overview

Statistics on Financial Services sector in Hong Kong

Unit: USD thousands

	2014	2015	2016 (Estimated)	2017 (Estimated)
Total Imports	4,436,130	4,763,740	4,695,000	4,955,000
Total Exports	17,407,000	19,070,840	18,150,000	19,839,000
Import from U.S.	696,400	905,548	1,140,000	1,254,000
Export to U.S.	4,182,600	4,053,290	4,174,900	4,300,135
Exchange Rate: 1 USD	7.75	7.75	7.75	7.75

Information Source: Census and Statistics Department, Hong Kong SAR Government

Thanks to the free flow of information and capital, trusted legal system, world-class business infrastructure and stable regulatory regime, Hong Kong is a gateway for foreign firms seeking access to the Mainland and the global markets, and for mainland enterprises going global. Hong Kong also positions itself as a major asset management, capital formation, banking and insurance hub.<sup>7</sup>

### Sub-Sector Best Prospects

Financial Technology (Fintech)

### Opportunities

The Hong Kong SAR Government established the Steering Group on Financial Technologies in April 2015. A report published by the Steering Group noted vast potential for Hong Kong to become a premier Fintech hub, through leveraging its role as an international financial center, the highly developed information and communication technology infrastructure, and ample finance and entrepreneurship

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<sup>7</sup> [Invest Hong Kong: Financial Services Section](#)

talent. In March 2016, the Hong Kong Monetary Authority (HKMA) announced the establishment of a Fintech Facilitation Office to facilitate the healthy development of the fintech ecosystem in Hong Kong and to promote Hong Kong as a fintech hub in Asia.

## Web Resources

*Major Trade Shows and Events*

[Hong Kong Asian Financial Forum](#)

Dates: 15-16 January 2018

Venue: Hong Kong Convention and Exhibition Center

*Trade Associations and Government Departments*

[Hong Kong Monetary Authority](#)

[Securities and Futures Commission](#)

[Office of the Commissioner of Insurance](#)

[Financial Services and the Treasury Bureau](#)

[Invest Hong Kong](#)

[Financial Services Development Council](#)

[Hong Kong Trade Development Council](#)

[Hong Kong Venture Capital & Private Equity Association](#)

[Hong Kong Institute of Bankers](#)

[Alternative Investment Management Association](#)

For more information about this industry sector, please contact the U.S. Commercial Service in Hong Kong:

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## Medical Equipment

Overview

Medical Equipment Market in Hong Kong Unit: USD thousands

	2015	2016	2017 (estimated )	2018 (estimated )
Total Market Size	273,000	258,000	246,000	248,000
Total Local	280,000	290,000	300,000	310,000

	2015	2016	2017 (estimated )	2018 (estimated )
Production				
Total Exports	1,702,000	1,899,000	2,107,000	2,320,000
Total Imports	1,695,000	1,867,000	2,053,000	2,258,000
Imports from the U.S.	331,000	356,000	390,000	421,000
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

Hong Kong relies heavily on imports to satisfy its medical equipment needs since the city's medical equipment production is low. Total medical equipment<sup>8</sup> imports in 2016 amounted to US\$1.86 billion, representing an increase of ten percent over 2015. The United States was the market leader in the high-end market segment, capturing about 19 percent of the total import market in 2015, a decrease of 0.5 percent of total market share from 2015.

Hong Kong is also a sourcing point for medical products for mainland China. In 2016, transshipment of medical equipment to China through Hong Kong amounted to US\$855 million; accounting for approximately 44 percent of Hong Kong's medical equipment re-exports to all destinations.

Hong Kong's population of 7.4 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 42 public hospitals and institutions, 47 specialist out-patient clinics, and 73 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.

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<sup>8</sup> 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.

To cope with an aging population, the Hong Kong Government has been increasing its funding on public healthcare. US\$ 8 billion has been allocated to recurrent healthcare expenditure for fiscal year 2017, an increase of \$413 million over 2016 and accounting for 17 per cent of total government recurrent expenditure.

Hong Kong is expanding its hospital network. The 300-bed Tin Shui Wai hospital came online in January 2017. Gleneagles Hong Kong Hospital, a 500-bed private hospital also opened in March 2017. The 468-bed The Hong Kong Children's Hospital is targeted to commence operation sometime in 2018.

Looking further ahead, the Hong Kong Government has set aside US\$ 25 billion for a 10-year hospital development plan to enable HA to expand and upgrade healthcare facilities, including 5,000 additional hospital beds, 320 operating theatres, redevelopment and expansion of 11 hospitals and a new acute general hospital. This new hospital will provide 2,400 beds and will be the first neuroscience center in Hong Kong. Also on the Hong Kong Government agenda is a loan to the Chinese University of Hong Kong to develop a non-profit private hospital.

An aging population means a prevalence of chronic diseases. In response, the HA will strengthen ambulatory services, including a plan to construct ambulatory care centers and day hospitals providing day surgery, rehabilitation, endoscopy, diagnostic radiology and laboratory services.

The launch of the colorectal cancer screening pilot program started in September 2016, under which subsidized colorectal cancer screenings are provided to Hong Kong residents aged between 68 and 70 in the course of three years. The HA also has plans to strengthen the capacity for various treatment of critical illness and chronic diseases, such as echocardiograms; hemodialysis and radiotherapy.

The Electronic Health Record Sharing System between the public and private healthcare sector has begun in early 2016. The next stage of the program, which involves the development of a patient portal, an enhancement of patient control, and an additional sharing of data including radiological images, will commence soon.

The Hong Kong Government is also interested in implementing the Voluntary Health Insurance Scheme to encourage citizens to purchase health insurance; and providing more choices for users of private healthcare services. Before taking the project forward, the HA will embark on revamping the regulatory regime for private healthcare facilities to enhance the quality and price transparency of 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 Hospital (an institution established under the Macau University of Science and Technology (MUST) Foundation), one private, non-profit hospital, Kiang Wu, 10 public clinics and 695 privately operated healthcare establishments. Every Macau resident enjoys free primary healthcare services. 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.

### Sub-Sector Best Prospects

- In Vitro Diagnostic Equipment and Reagents
- Implantable and Intervention Materials
- Therapeutic Products
- Imaging Products
- Surgery and Emergency Appliances
- Physiotherapy Equipment
- Rehabilitation Equipment
- Geriatric Specialized Products
- Home Medical Equipment
- Orthopedic Implants and Instruments
- Dental Implants and Instruments

### Opportunities

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. HA's tender notices and invitations for expression of interest are available.

With an overburdened public healthcare system, the Hong Kong Government proposed introducing the Voluntary Health Insurance Scheme. If the scheme moves forward, the general public will be encouraged to make use of private medical facilities and more land will be allocated for private hospital development. Interested hospital developers, designers and equipment suppliers should start to make contacts with the authorities and industry players soon.

In neighboring Macau, the Macanese Government's total expenditure on medical and health services in 2015 was about US\$730 million (the latest available figure), an increase of more than 19 percent over 2014. The Macau Government injections to further improve its healthcare system in the next years are anticipated to increase.

Hong Kong's population aged 65 or above is expected to surge from the current 1.2 million to 2.6 million by 2041. Macau has a population of 650,800, of which 9 percent (roughly 59,000) are 65 and above. By 2031, this ratio will likely rise to 22 percent. 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.

### Best Practice for U.S. Exporters

The best practice for U.S. exporters of pharmaceutical products, medical equipment and devices to expand into the Hong Kong market is through Hong Kong agents and distributors. These agents and distributors can be helpful in marketing U.S. healthcare products in Hong Kong and sometimes in mainland China. Hong Kong-based agents and distributors usually include Macau in their sales territory, and may have networks in cities in mainland China. U.S. exporters of healthcare products not having an office in Hong Kong are required to appoint a Local Responsible Person (LRP). This LRP can be the Hong Kong distributor or an independent third party but has to be based in Hong Kong. The LRPs serve as intermediary and communicate with the end-users, importers, the Hong Kong Government and the U.S. exporters to ensure safe and efficacious use of the products.

### Web Resources

#### *Key Government and Regulatory Agencies*

Hong Kong Department of Health

Medical Device Control Office

Address: Room 604, 6/F, CityPlaza Three,

14 Taikoo Wan Road,

Taikoo Shing, Hong Kong

Tel: (852) 3107-8484

Fax: (852) 3157-1286

Email Address: [mdco@dh.gov.hk](mailto:mdco@dh.gov.hk)

Hong Kong Hospital Authority

Address: Hospital Authority Building,

147B Argyle Street, Kowloon, Hong Kong

Tel: (852) 2300-6555  
Fax: (852) 2890-7726  
Email: [enquiry@ha.org.hk](mailto:enquiry@ha.org.hk)

Macau Health Bureau  
Address: Estrada do Visconde de S. Januario, Macau  
Tel: (853) 2831-3731  
Fax: (853) 2871-3105  
Email: [info@ssm.gov.mo](mailto:info@ssm.gov.mo)

### *Trade Shows*

#### China International Medical Equipment Fair

Date: May 15-18, 2017 in Shanghai, China

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

Date: May 16-18, 2017

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

### *Associations*

#### Hong Kong Doctors Union

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.

#### The Hong Kong Medical Association

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

Description: The Hong Kong Private Hospitals Association represents the interests of the 11 private hospitals in Hong Kong.

For more information about this industry sector, please contact the U.S. Commercial Service in Hong Kong:

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

## Safety and Security Industry

### Overview

Unit: USD thousands

	2015	2016	2017 (estimated )	2018 (estimated )
Total Market Size	1,436,800	1,394,900	1,443,900	1,545,000
Total Local Production	3,800	3,900	3,900	4,000
Total Exports	4,168,000	4,257,000	4,298,000	4,327,000
Total Imports	5,601,000	5,648,000	5,738,000	5,868,000
Imports from the U.S.	797,000	848,000	864,000	897,000
Exchange Rate: 1 USD	7.8	7.8	7.8	

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

Data Sources: 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 the transportation and logistics hub for Asia, there is a stable demand for safety and security equipment and services in Hong Kong, especially for airport and freight-cargo facilities. Other major areas of substantial security equipment outlays include the commercial and financial sectors, while home security systems become increasingly popular.

The market potential for safety and security equipment and services continue to grow steadily, gearing towards more sophisticated high-tech products, an area in which U.S. firms are particularly strong. Our major competitors in the high-tech arena are from Japan, South Korea, Israel and the European Union.

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 are advised to pursue Hong Kong, Macau and China projects

after determining compliance requirements. In particular, exports to China for certain crime control items may be prohibited by law.

### Sub-Sector Best Prospects

- Alarms and access controls
- Biometrics
- Chemical detection systems
- Identification devices
- Radio frequency wireless technologies
- Rescue equipment
- Wireless surveillance equipment
- X-ray scanners
- Video surveillance systems

### Opportunities

#### *Physical Security*

In Hong Kong, the primary users of safety and security products are public safety and law 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 state-of-the-art technology in integrated fire alarm systems.

Macau shows promise as a long-term niche market. U.S. companies wishing to enter the Macau market may consider partnering with Hong Kong companies with a strong foothold in Macau.

#### *Cybersecurity*

E-commerce is booming in Hong Kong, with an estimated sales value of internet retailing growing at 6% per annum from 2014-2019. As a result, many innovative payment services have emerged, such as stored value payment cards, online stored value payment facilities, mobile payment, and internet payment services. To ensure that consumers are well-protected, starting from mid-2016, the Hong Kong government began to regulate and issue licenses for e-payment systems. License holders will be subject to safety requirements, which include, among other things, risk management and control procedures relating to the operation of the system; safety and integrity of the information held within the system.

On 2 Dec. 2015, the Electronic Health Record Sharing System Ordinance (Cap. 625) (EHRSSO) finally came into effect in Hong Kong. The EHRSSO allows health-care professionals and public and private hospitals to collect, share and store patients'

electronic health records via the Electronic Health Record Sharing System (eHR system). The eHR System will bring about a major change for private health-care providers in Hong Kong, most of them operating in small practices and still relying on paper files and records.

These will lead to a growing demand for cybersecurity products and network security consultancies to identify vulnerabilities, reduce risks and ensure compliance.

## Web Resources

### *Trade Shows*

**Asian Securitex 2018**. May 9-11, 2018 at Hong Kong Convention & Exhibition Center. Held every two years, Asia Securitex showcases state-of-the-art international security products ranging from smartcard technologies to integrated security management systems.

### *Trade Associations*

#### Asian Professional Security Association

International Professional Security Association (Hong Kong) Ltd.

For more information about this industry sector, please contact the U.S. Commercial Service in Hong Kong:

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

## **Transportation Infrastructure**

### Overview

The Chinese Central Government announced in Year 2010 its twelfth 5-year plan for 2011-2015, to include the development of the Pearl River Delta (PRD) region in southern China. The National Development and Reform Commission (NDRC) has mapped out plans for cooperation with Hong Kong and Macau with an emphasis on transportation infrastructure projects, expecting to achieve greater economic integration in the PRD region by 2020. Several transportation infrastructure works are underway. In Hong Kong, there are the Hong Kong International Airport Master Plan 2030, multiple extensions and new lines on Mass Transit Railway, Hong Kong-Shenzhen-Guangzhou Express Rail, and the Hong Kong-Zhuhai-Macau Bridge. In Macau, there is the new Light Rapid Transit System.

## Sub-Sector Best Prospects

### *Hong Kong*

**Hong Kong International Airport Master Plan 2030.** Airport Authority Hong Kong (AA) has been planning to build a third runway to meet Hong Kong International Airport's long-term growth demand. The three-runway system (3RS) project was approved by the Executive Council in March 2015, and is estimated to cost US\$18 billion and is expected to be completed by 2023. The 3RS is expected to increase maximum runway capacity by 48% to accommodate 607,000 aircraft movements per year, handle 102 million passengers and 8.9 million tons of cargo. Development of this three-runway system will involve land reclamation, construction of related taxiway systems and airfield facilities, construction of new aprons, passenger concourses, as well as the expansion of the existing Terminal 2.

**Mass Transit Railway.** With the merger of MTR and KCRC in 2007, MTRC is committed in future railway projects to increase their network coverage. The Railway Development Strategy 2014 was revealed with new and extended routes planned by 2026, investing over US\$25 billion. Some projects were completed and the remaining projects include:

- North Island Line (NIL): Investing US\$2.6 billion.
- East Kowloon Line: Investing US\$3.5 billion
- Shatin Central Link (SCL): Investing US\$8.3 billion. Target completion by 2021.
- Northern Link: Investing US\$3.3 billion. Target completion by 2023.
- Tung Chung West extension: Investing US\$77 million
- Tuen Mun South extension: Investing US\$70.5 million

**Guangzhou-Shenzhen-Hong Kong Express Rail Link (XRL).** The XRL is part of the MTR's Railway Development Strategy on an express rail that links Guangzhou, Shenzhen and Hong Kong together. It is in partial operation with Shenzhen-Guangzhou section commenced operation in December 2011. For the Hong Kong-Shenzhen section, it is target completion by Q3 of 2018, investing US\$10.9 billion.

**Hong Kong-Zhuhai-Macau Bridge (HKZMB).** HKZMB is a 50km-link that connects three major cities: Hong Kong, Macau and Zhuhai together in the Pearl River Delta of Southern China. Construction began in December 2009 and is due for completion by late 2017. It is expected to cost US\$10.6 billion. Several link roads are being built to connect the traffic towards HKZMB, include Hong Kong Link Road, Tuen Mun Western Bypass and Tuen Mun-Check Lap Lok Link.

## *Macau*

**Light Rapid Transit System (LRTS).** Macau Light Rapid Transit System was proposed in 2003 and only began construction works in 2012. The LRT initially (Phase 1 construction) will consist of two lines with 21 stations spreading across the Macau Peninsula, with Taipa and Cotai serving as major waypoints. Phase 1 – Cotai Line is 9.3km with 11 stations cover both residential and tourists' areas, and all ports of entries on Cotai. The construction works is estimated to cost US\$1.8 billion and due for completion by 2019.

## **Opportunities**

Infrastructure projects in Hong Kong and Macau will require a wide range of equipment, technologies, and consultancy services, including logistics and transportation management, waste and environmental management, experience in land reclamation, and related engineering fields. Equipment such as power supply systems, rail tracks, overhead wiring, escalators and lifts, signaling systems, rail station platforms and building services will be needed. U.S. companies may wish to consider promoting products or services to these contractors or joint partnership with them.

## **Web Resources**

*Trade Shows, Exhibitions, and Conferences*

**Zhuhai Airshow.** November 6-11, 2018 in Zhuhai, Guangdong, China.

**Asia Pacific Rail.** March 20-21, 2018 at Hong Kong Convention & Exhibition Center.

## *Industry Contacts*

**Airport Authority Hong Kong (Three-Runway System)**

**Mass Transit Railway Corporation**

**Macau Light Rapid Transit System**

For more information about this industry sector, please contact the U.S. Commercial Service in Hong Kong:

U.S. Commercial Service, Hong Kong  
Ms. Kimmy Lee, Commercial Specialist  
Tel: (852) 2521-5950  
Fax: (852) 2845-9800  
Email: [kimmy.lee@trade.gov](mailto:kimmy.lee@trade.gov)

# **Customs, Regulations & Standards**

## **Import Tariffs**

### **Hong Kong**

Hong Kong is a free port that does not levy a customs tariff. The Hong Kong Government levies excise duties on four commodities: hard alcohol (distilled spirits), tobacco, hydrocarbon oil, and methyl alcohol. The excise tax on distilled spirits 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.

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)

### **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](mailto:info@customs.gov.mo)

## **Trade Barriers**

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 & Documentation**

U.S. standard trade documentation is acceptable.

## **Labeling/Marking Requirements**

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

Hong Kong's non-tariff barriers related to labeling requirements, standards, and other requirements are generally minimal, but are expected to become more restrictive for 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 Food and Hygiene Environmental Department's Center for Food Safety. According to the Food and Drugs (Composition and Labeling) Regulations (Cap. 132W), the following information should be provided on prepackaged food labels:

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

Stick-on product labels are allowed to remedy any non-compliance issues on pre-existing labels and can be applied by Hong Kong importers with permission of the manufacturer. The labels may be provided in English, Chinese or both languages. If both languages are used on prepackaged food, the name of the food, ingredient list and nutritional information must be provided in both languages.

### **Labeling for Biotech Food**

The Hong Kong government (HKG) does not require labeling of biotech food products. In 2006, the government issued guidelines for voluntary labeling of biotech foods containing 5 percent or more of an individual biotech food ingredient. Negative labeling is not recommended.

### **Organic Certification**

Hong Kong recognizes USDA organic certification so products are sold in Hong Kong with the USDA organic logo.

## Others

Hong Kong regulates the use of sweeteners, preservatives, coloring matters, metallic contaminants and pesticides. In the absence of a particular regulation, the HKG refers to Codex standards and/or conducts a risk assessment to determine applicable import requirements.

For details on Hong Kong's general import regulations for food products, please refer to Hong Kong GAIN [FAIR report](#) or consult [Public Health and Municipal Services Ordinance and the Food Safety Ordinance](#).

## 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.

## U.S. Export Controls

### 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. For a variety of reasons, it is also common for offshore companies to represent themselves as a Hong Kong company, even when they are located elsewhere. There may be a valid business reason for this, but exporters of controlled items to Hong Kong should take care to know where their customer is actually located.

The Hong Kong Government imposes license requirements on the import and export of items found on control lists issued by the major multilateral export control regimes (Wassenaar Arrangement, Missile Technology Control Regime, Nuclear Suppliers' Group, Australia Group). These items are incorporated into Hong Kong's Strategic Commodities List, which follows the "EU-style" numbering system adopted in Europe, the United States, and many other countries such as Singapore and Malaysia. Unlike the U.S. system, Hong Kong requires import and export licenses for all items on its control list, no matter where the items are coming from or going to. Because of this, in some cases Hong Kong may require licenses for imports (or exports) of U.S. items that did not require a U.S. license when departing the United States. Items being transshipped through Hong Kong are treated by Hong Kong as imports into Hong Kong, followed by exports, so local license requirements still apply.

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. When accepting orders from Hong Kong customers, it is a good idea to make sure your client knows the U.S. Export Control Classification Number of all control list items in the order, so that they can apply for necessary Hong Kong licenses. Carriers in Hong Kong are required to obtain a copy of the local import license before releasing shipments of strategic trade items to the local consignee. Failure to have that license in place before shipment may lead to costly delays or even the seizure of the shipment and imposition of a fine by Hong Kong's Customs and Excise Department.

In addition to the local import and export requirements, on January 19, 2017, an update was entered in 15 CFR Parts 740, 748 and 762 by the U.S. Department of Commerce, Bureau of Industry and Security. BIS issued a Final Rule regarding support document requirements with respect to Hong Kong. The Final Rule became effective on April 19, 2017. This rule requires persons intending to export or reexport to Hong Kong any item subject to the Export Administration Regulations (EAR) and on the Commerce Control List (CCL) for national security (NS), missile technology (MT), nuclear nonproliferation (NP column 1), or chemical and biological weapons (CB) reasons to obtain, prior to the shipment of such items, a copy of a Hong Kong import license or a written statement from the Hong Kong government that such a license is not required, including website guidance from the Hong Kong Trade and Industry Department (HKTID). This rule also applies to individuals intending to reexport from Hong Kong items controlled for the previous stated reasons, to obtain a Hong Kong export license or statement from the Hong Kong government that such a license is not required, including website guidance from HKTID, prior to shipment. The items for which Hong Kong requires a license and the previous stated items controlled under the EAR are based on the same

multilateral regime control lists. This rule does not impose any new licensing requirements. BIS is taking this action to foster compliance with the Hong Kong Import and Export (Strategic Commodities) Regulations and thus enhance the effectiveness of the EAR.

In Hong Kong, the use of corporate secretary companies and/or forwarding agents is a significant issue in relation to diversion risks when exporting to Hong Kong. These companies can operate and perform services for business clients with little or no oversight from Hong Kong authorities. To ensure compliance with U.S. export control laws, companies should exercise due diligence research on any shipments to clients in Hong Kong and thoroughly validate all information to determine with reasonable certainty if the items will remain in Hong Kong or be reexported to other countries that may change the U.S. export control status of the items.

Hong Kong has also adopted a “catch-all” export license requirement that covers 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.

#### Resources

Bureau of Industry and Security For more information on U.S. export control regulations, please visit: <http://www.bis.doc.gov>

A list that consolidates eleven export screening lists of the Departments of Commerce, State and the Treasury into a single search as an aid to industry in conducting electronic screens of potential parties to regulated transactions is available.

*Trade and Industry Department, HKSAR*

[More information on Hong Kong Strategic Commodities Controls and license applications](#)

*Customs and Excise Department, HKSAR*

[More information about the enforcement of Hong Kong Strategic Commodities Controls](#)

## **Temporary Entry**

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](#) or [Macau Customs Services](#).

## **Prohibited & Restricted Imports**

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

## **Customs Regulations**

Customs valuation is only an issue for the taxable items listed above. The tax on tobacco is by quantity: HK\$1,906 (US\$244) for every 1,000 cigarettes and HK\$2,455 (US\$315) 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](#). For information about Macau customs, please check the [Macau Customs Services](#).

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 for Trade**

### **Overview**

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.

### Specific product regulations and standards.

#### Standards

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 for Notify U.S. online.](#)

#### *Conformity Assessment*

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 Center 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

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

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](mailto:hkas@itc.gov.hk)

### Publication of technical regulations

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. The PSIB accepts purchase orders for originals and photocopies of standards from various standards bodies.

Detail about information and procedures.

### Contact Information

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

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### **Trade Agreements**

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 tenth phase, announced in August 2013, 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. Since March 1, 2015, Hong Kong and Guangdong have implemented a services agreement signed in December 2014 under the CEPA framework. The agreement lets Hong Kong companies to achieve “basic” liberalization in services trade with Guangdong. The Hong Kong Government and the Central Government signed in November 2015 the CEPA Agreement on Trade in Services, which seek to achieve “basic” liberalization of trade in services in the mainland for Hong Kong. This agreement has become effective since June 1, 2016.

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. [More information on 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. In May 2014, Hong Kong launched a public consultation on ASEAN-Hong Kong FTA. Hong Kong and ASEAN started their negotiations in July 2014, expecting to conclude an agreement by 2017. In September 2016, Hong Kong started FTA negotiations with Georgia and Maldives, respectively, and recently concluded an FTA with Australia. 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.](#)

## Licensing Requirements for Professional Services

### Legal Profession

The legal profession in Hong Kong is divided into two distinct branches -barristers (also known as "counsel") and solicitors. Solicitors have limited rights of audience before the courts whereas barristers have unlimited rights of audience in all courts and tribunals where legal representation is allowed. Lawyers practicing within one branch of the profession are not, at the same time, allowed to practice within the other.

The [Bar Council of the Hong Kong Bar Association](#) is the governing body for barristers; while the [Law Society of Hong Kong](#) is the governing body for solicitors.

For details about the licensing requirements of the legal profession in Hong Kong, please visit the website of the [Department of Justice of the Hong Kong SAR Government](#).

### Accountancy Profession

The Hong Kong Institute of Certified Public Accountants (HKICPA) is the only statutory licensing body of accountants in Hong Kong responsible for the professional training, development and regulation of the accountancy profession. All statutory audit services in Hong Kong have to be provided by HKICPA practicing members or member firms with the required licenses issued by the HKICPA. HKICPA, formerly known as the Hong Kong Society of Accountants, was incorporated by the Professional Accountants Ordinance (Chapter 50, Laws of Hong Kong) on 1 January 1973.

Below please find the links to HKICPA with details related to the HKICPA and the licensing requirements for the accountancy profession in Hong Kong.

[Information sheet about HKICPA](#)

[Professional services provided by CPAs \(practicing\) in Hong Kong](#)

[Mutual recognition agreement between Hong Kong and U.S.](#)

[International affiliates admission requirements](#)

[Additional details about the HKICPA.](#)

## **Trade Regulation Web Resources**

[Hong Kong Accreditation Service](#)

[Hong Kong Customs and Excise Department](#)

[Hong Kong Trade and Industry Department](#)

[Macau Government CEPA](#)

[Macau Customs Service](#)

## **Investment Climate Statement**

### **0—Executive Summary**

Hong Kong

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. 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. 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 are not onerous.

Twenty years after its reversion to PRC sovereignty, Hong Kong remains an excellent destination for U.S. investment and trade. Despite a population of less than eight million, Hong Kong is America’s ninth-largest export market, sixth-largest for total agricultural products, and fourth-largest for high-value consumer food and beverage products. Hong Kong's economy, with its world-class institutions and regulatory systems, is based on competitive financial and professional services, trading, logistics, and tourism. It is the world's most services-oriented economy, with the service sector accounting for more than 90 percent of its nearly USD 319 billion GDP in 2016. Hong Kong hosts a large number of regional headquarters and regional offices. Close to 1,400 U.S. companies are based in Hong Kong, and more than half are regional in scope. Finance and related services companies, such as banks, law firms, and accountancies, dominate the pack. Seventy of the world's 100 largest banks have operations here.

*Table 1*

<b>Measure</b>	<b>Year</b>	<b>Index or Rank</b>	<b>Website Address</b>
<b>TI Corruption Perceptions index</b>	2016	15 of 176	<a href="#"><u>Transparency International</u></a>
<b>World Bank’s Doing Business Report “Ease of Doing Business”</b>	2012	4 of 190	<a href="#"><u>World Bank</u></a>
<b>Global Innovation Index</b>	2016	14 of 128	<a href="#"><u>Global Innovation Index</u></a>
<b>U.S. FDI in Partner Country (\$M USD, stock positions)</b>	2015	64,049	<a href="#"><u>BEA</u></a>
<b>World Bank GNI Per Capita</b>	2015	41,000	<a href="#"><u>World Bank</u></a>

## Macau

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. Under the concept of “one country, two systems” articulated in these documents, Macau enjoys a high degree of autonomy in economic matters, and its economic system is to remain unchanged for 50 years. The Government of Macau

(GOM) maintains a transparent, non-discriminatory, and free-market economy. The GOM is committed to maintaining an investor-friendly environment.

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 today the undisputed gaming capital of the world, having surpassed Las Vegas in terms of gambling revenue. U.S. investment over the past decade is estimated to exceed USD 23.8 billion. In addition to gaming, Macau is positioning itself to be a regional center for incentive travel, conventions, and tourism. The American business community in Macau has continued to grow. In 2007, business leaders founded the American Chamber of Commerce of Macau.

Macau seeks to speed up its economic diversification to transform the city into a world center of tourism and leisure, as well as a “commercial and trade cooperation service platform” between the Mainland China and Portuguese-speaking countries. The GOM has started various policies to promote economic diversification and sustainable development and to create business opportunities for domestic and foreign investors.

In September 2016, the GOM announced its first Five-Year Development Plan (2016–2020). The highlights of the plan include establishing a trade cooperation service platform between China and the Portuguese-speaking countries, improving the structure of industries, raising life quality, protecting the environment, and strengthening the efficiency of government.

*Table 1*

<b>Measure</b>	<b>Year</b>	<b>Index / Rank</b>	<b>Website Address</b>
<b>TI Corruption Perceptions index</b>	2016	N/A	<a href="#"><u>Transparency International</u></a>
<b>World Bank’s Doing Business Report “Ease of Doing Business”</b>	2017	N/A	<a href="#"><u>World Bank</u></a>
<b>Global Innovation Index</b>	2016	N/A	<a href="#"><u>Global Innovation Index</u></a>

Measure	Year	Index / Rank	Website Address
U.S. FDI in partner country (\$M USD, stock positions)	2015	N/A	BEA/Host government
World Bank GNI per capita	2015	67,180	<a href="#">World Bank</a>

## 1—Openness To, and Restrictions Upon, Foreign Investment

### Hong Kong

#### *Policies Towards Foreign Direct Investment*

Hong Kong is the world's second-largest recipient of foreign direct investment after the United States, according to the United Nations Conference on Trade and Development's (UNCTAD) World Investment Report 2016. 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. Hong Kong does not have laws or practices that discriminate against foreign investors by prohibiting, limiting, or conditioning foreign investment in a sector of the economy.

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.

According to HKG statistics, 3,731 regional operations of overseas companies were registered in Hong Kong in 2016. The U.S. has the largest number of regional headquarters and offices in Hong Kong (766 companies), followed by Japan (659 companies), and the United Kingdom (347 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.

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 10th phase, announced in August 2013, 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. Since March 2015, Hong Kong and China's Guangdong Province have implemented an agreement signed in December 2014 on achieving basic liberalization of trade in services in Guangdong. The agreement has introduced for the first time under the CEPA framework the use of a "negative list" that covers 134 service sectors for Hong Kong and granted national treatment to Hong Kong's 62 service industries. In addition, this agreement has offered Hong Kong most-favored nation treatment – i.e., any CEPA-plus liberalization measures included in the FTAs signed by the Mainland China with other countries will be automatically extended to Hong Kong. The framework and content of the agreement has set a model for basic liberalization of trade in services between Hong Kong and all of Mainland China by the end of 2015. With the PRC's launch of the Guangdong Free Trade Zone in March 2015, industry observers expect Hong Kong will deepen further its economic integration with Guangdong.

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 November 2011, Hong Kong made a formal request to join the ASEAN-China FTA (ACFTA). However, in April 2013, the HKG announced that Hong Kong and ASEAN had agreed to pursue a bilateral FTA instead of making Hong Kong a member of the ACFTA. In July 2014, Hong Kong and ASEAN launched the negotiation of a FTA, which is expected to conclude in the first quarter of 2017. Hong Kong started FTA negotiations in September 2016 with Georgia and Maldives, respectively. In May 2017, the HKG announced that it planned to pursue a FTA with Australia. Finally, Hong Kong is an Asia-Pacific Economic Co-operation (APEC) member economy and a participant in the APEC Business Travel Card Scheme, which grants qualified business travelers streamlined immigration clearance.

#### *Limits on Foreign Control and Right to Private Ownership and Establishment*

Foreign investors can invest in any business and can own up to 100 percent of equity. Like domestic private entities, foreign investors have the right to engage in all forms of remunerative activity.

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. Furthermore, in October 2012, 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 April 2014, the HKG announced that it had shelved the “Hong Kong land for Hong Kong people” policy because the property market had cooled down due to the dampening effect imposed by the stamp duties.

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 lawyers at foreign law firms may only practice the law of their jurisdiction and are prohibited from practicing Hong Kong law. Foreign law firms may 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 can also form associations with local law firms.

#### *Other Investment Policy Reviews*

Hong Kong conducted the Trade Policy Review in November 2014 through the World Trade Organization (WTO).

#### *Business Facilitation*

The Economic Analysis and Business Facilitation Unit under the Financial Secretary's Office is responsible for taking forward the business facilitation initiatives aiming to improve the business regulatory environment of Hong Kong.

InvestHK is a government agency whose mission is to attract and retain foreign direct investment which is of strategic importance to the economic development of Hong Kong. InvestHK offers services to all investors applying the following core values: passion, integrity, professionalism, customer service, business friendliness, and responsiveness.

The Hong Kong Company Register links to the application for company incorporation and business registration site.

The e-Registry is an online one-stop platform jointly provided by the Companies Registry and the Inland Revenue Department for applying for company incorporation and business registration. Before using the e-Registry services, applicants have to register for user accounts. User registration is free of charge. Applicants for the e-Registry must present the original identification document (e.g., Hong Kong Identity Card or overseas passport), or attach a certified true copy of the identification document. If it is an application for company incorporation, the Companies Registry will normally issue the Business Registration Certificate and the Certificate of Incorporation within the same day. If it is an application for registration of a non-Hong Kong company, the Companies Registry will normally issue the Business Registration Certificate and the Certificate of Registration on the 14th working day after the submission date.

The HKG defines small and medium-sized enterprises (SMEs) as any manufacturing enterprises which employ fewer than 100 persons, or any non-manufacturing enterprises which employ fewer than 50 persons. The HKG has set up the SME Loan Guarantee Scheme, the SME Export Marketing Fund, and the SME Financing Guarantee Scheme, among other programs, to assist enterprises in securing trade finance and business capital, expand market, and enhance overall competitiveness. A Dedicated Fund on Branding, Upgrading and Domestic Sales was launched in 2012 to assist enterprises in exploring and developing the Mainland market. All these support measures are available to any enterprise in Hong Kong irrespective of its origin.

#### *Outward Investment*

As a free market economy, Hong Kong does not promote or incentivize outward investment, nor restricts domestic investors from investing abroad. British Virgin Islands and Mainland China were the top two destinations for Hong Kong's outward investments in 2015.

#### Macau

##### *Policies Towards Foreign Direct Investment*

Under the concept of “one country, two systems”, Macau enjoys a high degree of autonomy in economic matters, and its economic system is to remain unchanged for at least 50 years. The GOM maintains a transparent, non-discriminatory, and free-market economy. Macau has separate membership in the World Trade Organization (WTO).

Macau is heavily dependent on the gaming sector and tourism industries. 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, with a tax rate of 12 percent for companies whose net profits exceed 300,000

Patacas (USD 37,500). For net profits less than USD 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 concessionaries 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 (FTA), 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. Since March 2015, Macau and the PRC's Guangdong Province have implemented an agreement on achieving basic liberalization of trade in services. The agreement has introduced the use of a "negative list" under the CEPA framework that covers 134 service sectors and grants national treatment to Macau's 58 service industries. In addition, this agreement has offered Macau most-favored nation treatment -- i.e., any CEPA-plus liberalization measures included in the FTAs signed by the Mainland China with other countries will be automatically extended to Macau. The framework and content of the agreement serves as a model for basic liberalization of trade in services between Macau and all of Mainland China. With the PRC's launch of the Guangdong Free Trade Zone in March 2015, industry observers mentioned that Macau has further strengthened its cross-border collaboration with Guangdong.

#### *Limits on Foreign Control and Right to Private Ownership and Establishment*

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.

#### *Other Investment Policy Reviews*

Macau conducted the WTO Trade Policy Review in May 2013.

#### *Business Facilitation*

The Macau Trade and Investment Promotion Institute (IPIM) is an agency of the GOM with responsibility for promoting trade and investment activities. IPIM provides one-stop service and notary service for business registration, and it applies

all legal and administrative procedures to all local and foreign individuals or organizations interested in setting up a company in Macau.

The GOM defines a Small- and Medium-Enterprise (SME) as a company with less than 100 employees. The GOM has tailored-made several financial schemes for SMEs in order to boost their growth. One of the criteria of the schemes is that at least 50 percent of a company's capital should be owned by Macau residents.

### *Outward Investment*

Macau, as a free market economy, does not promote or incentivize outward investment, nor does it restrict domestic investors from investing abroad. Hong Kong and Mainland China were the top two destinations for Macau's outward investments in 2015.

## **2—Bilateral Investment Agreements and Taxation Treaties**

### **Hong Kong**

To date, Hong Kong has signed agreements with Australia, Austria, the Belgium-Luxembourg Economic Union, Canada, Chile, Denmark, Finland, France, Germany, Italy, Japan, South Korea, Kuwait, the Netherlands, New Zealand, Sweden, Switzerland, Thailand, and the United Kingdom. Hong Kong has concluded separate negotiations with each of Bahrain, Myanmar, Mexico, and the United Arab Emirates, and will sign each respective agreement after completion of the necessary internal procedures by each party concerned. The HKG is negotiating agreements with Iran and Russia. Hong Kong is expected to commence negotiations on an agreement with India in 2017.

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 at the time, and negotiations were suspended. U.S. firms are generally not at a competitive or legal disadvantage, since Hong Kong's market is open and its legal system impartial.

The United States does not have a bilateral treaty on the avoidance of double taxation with Hong Kong, but in 2014, the United States signed a Tax Information Exchange Agreement with Hong Kong and an Inter-Government Agreement on the Foreign Account Tax Compliance Act.

In March 2017, Hong Kong signed agreements with six jurisdictions (namely, Belgium, Canada, Guernsey, Italy, Mexico and the Netherlands) on the automatic exchange of financial account information in tax matters (AEOI). Previously, Hong

Kong had signed AEOI agreements with Japan and the United Kingdom (in October 2016), as well as South Korea (in January 2017).

## Macau

Macau has signed investment protection agreements with Portugal and the Netherlands. Macau does not have a bilateral taxation treaty with the United States.

In December 2016, the United States signed an Inter-Government Agreement on the Foreign Account Tax Compliance Act with Macau.

## **3—Legal Regime**

### Hong Kong

#### *Transparency of the Regulatory System*

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 capital. Bureaucratic procedures and "red tape" are held to a minimum and are equally transparent to local and foreign investors.

In amending or making any legislation, including investment laws, the HKG will conduct a three-month public consultation on the issue concerned and write up a draft bill based on the results of the public consultation. The lawmakers will discuss the draft bill and finally give it a vote. Hong Kong's legal, regulatory, and accounting systems are transparent and consistent with international norms. For instance, Hong Kong adopts the International Financial Reporting Standards, issued by the International Accounting Standards Board.

#### *International Regulatory Considerations*

Hong Kong is a member of WTO and APEC, adopting international norms. The HKG notified all draft technical regulations to the WTO Committee on Technical Barriers to Trade.

#### *Legal System and Judicial Independence*

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, Small Claims Tribunal, Market Misconduct Tribunal, Competition Tribunal, Copyright Tribunal, and other statutory tribunals.

Hong Kong's commercial law covers a wide range of issues related to doing business, such as the rights and relations of business people and businesses involved in commerce, trade, sale, and merchandise. Most of Hong Kong's contract law is found not in legislation, but in the reported decisions of the courts in Hong Kong, as well as other common law jurisdictions.

#### *Laws and Regulations on Foreign Direct Investment*

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, which is independent of the government, 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 Hong Kong Code on Takeovers and Mergers (1981) sets out general principles for acceptable standards of commercial behavior.

The Companies Ordinance (Chapter 622) applies to Hong Kong-incorporated companies and contains the statutory provisions governing compulsory acquisitions. For companies incorporated in jurisdictions other than Hong Kong, the relevant local company laws will apply.

The Securities and Futures Ordinance (Chapter 571) contains provisions requiring shareholders to disclose interests in securities in listed companies and provides listed companies with the power to investigate ownership of interests in its shares. It also regulates the disclosure of inside information by listed companies and restricts insider dealing and other market misconduct offences.

#### *Competition and Anti-Trust Laws*

The Competition Commission (CC), an independent statutory body which was set up in January 2013 under the competition law, investigates anti-competitive conduct that prevents, restricts, or distorts competition in Hong Kong. The competition law has been in effect since December 2015. In March 2016, 12 trade and professional associations indicated publicly that they had revised their conduct or were in the process of doing so to remove one or more price restrictions or fee scales. In addition, the CC has identified over 20 trade and professional associations whose public practices such as price recommendations appeared to place them at high risk of contravening the competition law.

The CC issued in September 2016 its proposed five-year block exemption order (BEO) for vessel sharing agreements (VSAs, agreements between shipping lines on

certain operational arrangements, including consortia, slot exchange agreements, joint service agreements, and alliances), in consideration of the economic efficiencies generated by such agreements. The CC, however, indicated that it did not propose to issue a BEO for voluntary discussion agreements, which relate to particular shipping routes, on the grounds that such agreements do not enhance overall economic efficiency like VSAs do. The CC is reviewing the suggestions on the proposed BEO for VSAs after a public consultation period ended in December 2016.

By October 2016, the CC had begun in-depth probes into 10 cases, without disclosing which industry sectors the investigations concern. In March 2017, the CC brought its first case before the Competition Tribunal (CT) for alleged bid-rigging by five information technology companies. The CT has scheduled a trial of the case for May 2018.

### *Expropriation and Compensation*

The U.S. Consulate General is not aware of any expropriations (direct or indirect) 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*

#### **ICSID Convention and New York Convention**

Both the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID Convention) and the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York Convention) apply, by extension, to Hong Kong now that it has reverted to Chinese sovereignty. (China is a signatory to both.)

#### **Investor-State Dispute Settlement**

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 mediation. Alternatively, disputes may be referred to the Hong Kong International Arbitration Center.

### **International Commercial Arbitration and Foreign Courts**

The HKG accepts international arbitration of investment disputes between itself and investors. Hong Kong has also adopted the United Nations Commission on International Trade Law (UNCITRAL) model law for domestic and international commercial arbitration. Since 1999, Hong Kong and Mainland China have maintained a Memorandum of Understanding on an arrangement parallel to the 1958 Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York Convention), for the reciprocal enforcement of arbitral awards.

Under Hong Kong's Arbitration Ordinance, any emergency relief granted by an emergency arbitrator before the establishment of an arbitral tribunal, whether in or outside Hong Kong, is enforceable. The HKG is planning to amend the Arbitration Ordinance in 2017 to attract more parties to resolve their intellectual property (IP) disputes by arbitration in Hong Kong.

Another option to resolve disputes is by mediation. The Mediation Ordinance, which fortifies Hong Kong's status as an international dispute resolution center, deals with the rights and obligations of participants in mediation, especially in relation to confidentiality and admissibility of mediation communications in evidence.

The HKG will amend the Arbitration Ordinance and the Mediation Ordinance in 2017 to make it clear that third party funding for arbitration and mediation, respectively, is permitted under Hong Kong law.

Foreign judgments in civil and commercial matters may be enforced in Hong Kong at common law or under the Foreign Judgments (Reciprocal Enforcement) Ordinance, which facilitates reciprocal recognition and enforcement of judgments on the basis of reciprocity. A judgment originating from a jurisdiction which does not recognize a Hong Kong judgment may still be recognized and enforced by the Hong Kong courts, provided that all the relevant requirements at common law are met. However, a judgment will not be enforced in Hong Kong if it can be shown that either the judgment or its enforcement is contrary to Hong Kong's public policy.

### *Bankruptcy Regulations*

Hong Kong's Bankruptcy Ordinance provides the legal framework to enable i) a creditor to file a bankruptcy petition with the court against an individual, a firm, or a partner of a firm who owes him/her money; and ii) a debtor who is unable to repay

his/her debts to file a bankruptcy petition against himself/herself with the court. Bankruptcy offences are subject to criminal liability.

In May 2016, LegCo passed the Companies (Winding Up and Miscellaneous Provisions) (Amendment) Bill. The bill, which was enacted into law in February 2017, aims to improve and modernize the corporate winding-up regime by increasing creditor protection and further enhancing the integrity of the winding-up process.

Hong Kong's average duration of bankruptcy proceedings is 0.8 year, ranking 28th in the world for resolving insolvency, according to the World Bank's Doing Business 2017 rankings.

## Macau

### *Transparency of the Regulatory System*

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.

The GOM will normally conduct a three-month public consultation when amending or making any legislation, including investment laws, and will write up a draft bill based on the results of the public consultation. The lawmakers will discuss the draft bill and finally put it to a final vote. All the processes are transparent and consistent with international norms.

Macau's accounting systems are transparent, as well. Macau has selectively adopted individual International Financial Reporting Standards into its accounting framework as Macau Accounting Standards (MASs), which have become compulsory since January 2007. The application of MASs is mandatory for all establishments that have been granted concessionary status by the GOM, as well as for financial institutions and companies limited by shares in Macau.

### *International Regulatory Considerations*

Macau is a member of WTO and adopts international norms. The GOM notified all draft technical regulations to the WTO Committee on Technical Barriers to Trade.

### *Legal System and Judicial Independence*

Under the principle of "One country, two systems", Macau maintains Continental European law as the foundation of its legal system, which is based on the rule of law and the independence of the judiciary. Macau has a written commercial law and contract law. The Commercial Code is a comprehensive source of commercial law, while the Civil Code serves as a fundamental source of contractual law. 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. 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 response, the GOM has increased the number of judge and judicial clerk training programs. At present, the Court of Final Appeal has three judges; the Intermediate Courts have 10 judges; and the Primary Courts have 28 judges. The Public Prosecutions Office has 36 prosecutors.

#### *Laws and Regulations on Foreign Direct Investment*

Macau's legal system is based on the rule of law and the independence of the judiciary. Foreign and domestic companies register under the same rules and are subject to the same set of commercial and bankruptcy laws (Decree 40/99/M).

The GOM's Printing Bureau publishes laws, rules, and procedures in both Chinese and Portuguese.

#### *Competition and Anti-Trust Laws*

Macau has no agency that reviews transactions for competition-related concerns, nor a competition law. The Commercial Code (Law No. 16/2009) contains basic elements of a competition policy with regard to commercial practices that can distort the proper functioning of markets. The GOM states that the existing provisions are adequate and appropriate given the scale and scope of local economy.

#### *Expropriation and Compensation*

The U.S. Consulate General is not aware of any direct or indirect actions to expropriate. Legal expropriations of private property may occur if it is in the public interest. In such cases, the GOM will exchange the private property with an equivalent public property based on the fair market value and conditions of the former. The exchange of property is in accordance with established principles of international law. There is no remunerative compensation.

#### *Dispute Settlement*

##### **ICSID Convention and New York Convention**

Both the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID Convention) and the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York Convention) apply, by extension, to Macau now that it has reverted to Chinese sovereignty. (China is a signatory to both.)

##### **Investor-State Dispute Settlement**

The U.S. Consulate General is aware of one investment dispute involving U.S. or other foreign investors or contractors and the GOM. In March 2010, a low cost airline carrier was reportedly forced to cancel flight services because of a credit dispute with its fuel provider, triggering events which led to the airline's de-licensing. Macau courts declared the airline bankrupt in September 2010. The airline's major shareholder, a U.S. private investment company, filed a case in the Macau courts seeking a judgment as to whether a GOM administrative act led to the airline's demise. The Court of Second Instance held hearings on May and June 2012. In November 2013, the Court of Second Instance rejected the appeal. 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 or the World Trade Center Macau Arbitration Center.

### **International Commercial Arbitration and Foreign Courts**

Macau has an arbitration law (Decree 55/98/M), which adopts the UN Commission on International Trade Law (UNCITRAL) model law for international commercial arbitration. The GOM accepts international arbitration of investment disputes between itself and investors. Local courts recognize and enforce foreign arbitral awards.

Macau established the World Trade Center Macau Arbitration Center in June 1998. The objective of the Center is to promote the resolution of disputes through arbitration and conciliation, providing the disputing parties with alternative resolutions other than judicial litigation.

Foreign judgments in civil and commercial matters may be enforced in Macau. The enforcement of foreign judgments is stipulated in Articles 1199 and 1200 of the Civil Procedure Code. A foreign court decision will be recognized and enforced in Macau, provided that it qualifies as a final decision supported by authentic documentation and that its enforcement will not breach Macau's public policy.

### *Bankruptcy Regulations*

Commercial and bankruptcy laws are written under the Macau Commercial Code, the Civil Procedure Code, and the Penal Code. The bankruptcy proceedings can be invoked by an application from the bankrupt business, by petition of the creditor, or by the Public Prosecutor. There are four methods that are used commonly to prevent the occurrence of bankruptcy: the creditors meeting, the audit of the company's assets, the amicable settlement, and the creditor agreement. According to Articles 615-618 of the Civil Code and Article 351-353 of the Civil Procedure Code, a creditor who has a justified fear of losing the guarantee of his credits may request the

seizure of the assets of the debtor. Bankruptcy offences are subject to criminal liability.

## **4—Industrial Policies**

### **Hong Kong**

#### *Investment Incentives*

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. There are no requirements that Hong Kong residents own shares, that foreign equity is reduced over time, or that technology is transferred on certain terms.

In June 2016, the HKG enacted a new law to allow a deduction on interest paid to overseas associated corporations and to provide an 8.25 percent concessionary tax rate (reduced by half) derived by a qualifying corporate treasury center.

The Financial Secretary announced in February 2017 that the HKG will introduce a bill into the LegCo in 2017 to amend the Inland Revenue Ordinance, to offer tax concession so as to attract aircraft leasing companies to develop their business in Hong Kong.

The HKG announced in March 2017 that it will include a cinema requirement in the land lease of two designated government land sale sites, with a view to building up an audience and promoting the long-term growth of Hong Kong’s film industry.

Regardless of size, companies registered in Hong Kong with “substantial connection to Hong Kong” are eligible to apply for the Innovation and Technology Fund (ITF), which supports midstream/downstream research and development (R&D) projects undertaken mainly by universities, R&D Centers, industry support organizations, professional bodies, trade and industry associations, and private companies. “Substantial connection to Hong Kong” means that it must have a significant proportion of its research, design, development, production, management, or general business activities located in Hong Kong. Universities or research institutes outside Hong Kong are not eligible to apply for the ITF.

The Hong Kong Science & Technology Parks Corporation’s incubation programs provide subsidized office spaces, consultancy services, investment matching, and financial aid packages to support R&D. An applicant must be a Hong Kong registered technology start-up company established for no more than two years before the date of application.

### *Foreign Trade Zones/Free Ports/Trade Facilitation*

Hong Kong is a free port without foreign trade zones. Hong Kong's modern and efficient infrastructure supports Hong Kong's role as a regional trade, finance, 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. The HKG is planning to spend over USD 13 billion in the next decade to redevelop Kai Tak into a modern green zone that contains government offices, public housing, commercial centers, and cruise terminals. Construction at the site began in July 2009. The HKG has started to build a third runway at Hong Kong International Airport, at the cost of USD 19.3 billion, and will finish the construction by 2023.

In May 2016, Hong Kong and Mainland China signed a Free Trade Agreement Transshipment Facilitation Scheme that enables Mainland-bound consignments passing through Hong Kong to enjoy tariff reductions on the Mainland. The arrangement covers goods traded between Mainland China and its trading partners, including the ASEAN members, Australia, Bangladesh, Chile, Costa Rica, Iceland, India, New Zealand, Pakistan, Peru, South Korea, Sri Lanka, Switzerland and Taiwan.

Hong Kong was the first WTO member to ratify the Trade Facilitation Agreement in 2014. To keep Hong Kong in line with the international trend, the Financial Secretary announced in his Budget Speech for 2017-18 that the HKG will establish a Trade Single Window, providing a one-stop electronic platform for submitting trade documents, promoting cross-border customs co-operation and expediting trade declaration and customs clearance.

### *Performance and Data Localization Requirements*

The HKG does not mandate local employment or performance requirements. In addition, the HKG does not follow a forced localization policy in which foreign investors must use domestic content in goods or technology.

Foreign nationals normally need a visa to live or work in Hong Kong. But Hong Kong adopts light-touch visa policies, which means that short-term visitors are permitted to conduct business negotiations and sign contracts while on a visitor's visa or entry permit. Companies which plan to employ people from overseas need to demonstrate that a prospective employee has special skills, knowledge, or experience not readily available in Hong Kong.

Hong Kong has free flow of information, with no censorship of content and adequate protection of data privacy -- elements that are critical to support global data center operations. The HKG has no requirements for foreign IT providers to turn over source code and/or provide access to surveillance. In addition, the HKG has never interfered with data center operations or censored content, and there are no laws that allow the HKG to do so.

## Macau

### *Investment Incentives*

To attract foreign investment, the GOM 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 the 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 IPIM. Only companies registered with Macau Economic Services (MES) 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.

### *Foreign Trade Zones/Free Ports/Trade Facilitation*

Macau is a free port; however, there are four types of dutiable commodities: liquors, tobacco, vehicles, and petrol (gasoline.) Licenses must be obtained from the MES prior to importation of these commodities.

In April 2016, the GOM ratified the WTO Trade Facilitation Agreement. Furthermore, in order to promote the MICE (meetings, incentives, conventions, and exhibitions) and logistics industry in Macau, the Legislative Assembly approved in July 2016 a bill which amended the existing Foreign Trade Law issued in 2003. This amendment introduced an ATA Carnet (Admission Temporaire/Temporary Admission), which is an international customs document that provides an efficient method for the

temporary import and re-export of goods, and which greatly eases the way for foreign exhibitions and businesses.

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

- **Light Rail Transit (LTR) System:** In 2003, in an effort to relieve traffic congestion, the GOM proposed to build a 21-km LTR, which will connect the Macau Peninsula, Taipa Island, and Cotai (reclaimed land between the islands of Coloane and Taipa) with 21 stations. After years of research, the GOM commenced the first phase in November 2011. The GOM expects to complete the LTR by 2018/19 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 city (in Guangdong province), and Macau with the less developed western part of the Pearl River Delta region. The bridge is scheduled for completion by the end of 2017.
- **Pac On Ferry Terminal:** The construction of a new ferry terminal at Taipa, which took almost 12 years, was finally completed last year and will begin operations on June 1, 2017. The Pac On Terminal it will become Macau's main maritime border crossing, with a capacity for 15 million passengers a year.

#### *Performance and Data Localization Requirements*

Macau does not follow a forced localization policy in which foreign investors must use domestic content in goods or technology. However, both local and foreign casino operators in Macau are required by law to employ only Macau residents as croupiers. There is no such restriction imposed on any other sector of the economy. In order to promote economic diversification away from gaming revenue, the GOM states that one of the criteria it will consider to renew the licenses of local and foreign casino operators when their concessions expire between 2020 and 2022 is the total amount of investments in non-gaming sectors.

There are no requirements by the GOM for foreign IT providers to turn over source code and/or provide access to surveillance (i.e., backdoors into hardware and software or turning over keys for encryption).

## **5—Protection of Property Rights**

Hong Kong

*Real Property*

Private ownership of property is enshrined in the Basic Law, Hong Kong's mini-constitution. The real estate sector is one of Hong Kong's pillar industries, and is equipped with a sound banking mortgage system.

The Basic Law requires the protection of the lawful traditional rights and interests of the indigenous inhabitants of the New Territories.

Since 1844, land transactions in Hong Kong have been operating on a deeds registration system governed by the Land Registration Ordinance. The Land Titles Ordinance was enacted in July 2004 to provide greater certainty on land title and to simplify the conveyancing process.

HK ranked 61st for ease of registering property, according to the World Bank's Doing Business 2017 rankings.

#### *Intellectual Property Rights*

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 Aspects of Intellectual Property Rights (TRIPs) requirements of the WTO. The Intellectual Property Department, which includes the Trademarks and Patents Registries, is the focal point for the development of Hong Kong's IP 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; the HKG has seconded an officer from 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, 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. HKCED detected a total of 845 infringement cases in 2016, representing a drop of 16 percent when compared to 2015. Among these cases, 201 involved internet crime.

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. HKCED opened a new Electronic Crime Investigation Center (ECIC) in early 2013. In December 2013, ECIC programs expanded to begin monitoring cases involving cyberlockers. In July 2015, HKCED rolled out a SocNet Monitoring System for online surveillance of infringing activities on social networking platforms. Using the new system, HKCED can screen 4,000 social media accounts per day, compared to 200 in the past by manual.

Effective from January 2016, the Drug Office of Hong Kong is imposing a new drug registration requirement where applicants for new drug registrations need to make a non-infringement patent declaration. The Copyright Ordinance protects any original copyrighted 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 decriminalized 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 HKG 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 LegCo for debate. In June 2012, the government shelved the bill because of concern from “netizen” groups regarding freedom of speech and parody protections. Between July and November 2013, the HKG held a public consultation on parody. In June 2014, the HKG introduced the amended

copyright bill into the LegCo. The bill aims to enhance copyright protection against online piracy, while providing exemptions for parody makers. LegCo resumed its second reading of the bill in February 2016. But in March 2016, the HKG technically shelved the copyright bill without a vote after a total of 28 hours of debating and a total of 62 hours of filibustering by the pan-democrats. The HKG's decision was made in light of a backlog of 23 other bills on livelihood and economic issues, as well as the fiscal budget that must be passed by the legislators before LegCo's summer recess in July 2016.

The Patent Ordinance allows for granting of an independent patent in Hong Kong based on patents granted by the United Kingdom 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 patent 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 HKG announced in February 2013 it intended to establish an "original grant patent" (OGP) system, while retaining the current re-registration system for the granting of standard patents. In June 2016, LegCo passed the new patent bill into law, which has taken into account the patent systems generally established in the regional and international patent treaties, such as the European Patent Convention and its Implementing Regulations, the Patent Co-operation Treaty, and the Patent Law Treaty. The HKG will implement the OGP system in 2019 upon the completion of all preparatory work..

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. In November 2014, the HKG launched a three-month consultation on the application of the Madrid Protocol. The HKG is analyzing public comments on the merits of introducing the Madrid Protocol to Hong Kong.

Hong Kong has no specific ordinance to cover trade secrets; however, the government has a duty under the Trade Descriptions Ordinance to protect information being disclosed to other parties. The Trade Descriptions Ordinance

prohibits false trade descriptions, forged trademarks, and misstatements regarding goods supplied in the course of trade. The law was amended in July 2012 to extend coverage to services and was put into force in July 2013.

The Working Group on IP Trading released in March 2015 a report with recommendations on measures to further develop Hong Kong as an IP trading hub in the region. The HKG has accepted the Working Group's report for implementation and set aside about USD 3 million in the coming three years to roll out a series of new support measures. In February 2017, the HKG was planning on expanding the scope of tax deductions for capital expenditure incurred for the purchase of IP rights, from the existing five categories to eight.

#### *Resources for Rights Holders*

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For additional information about national laws and points of contact at local IP offices, please see [WIPO's country profiles](#).

#### Local lawyers list

Macau

##### *Real Property*

Private ownership of property is enshrined in the Basic Law. There are no restrictions on foreign property ownership. Macau has a sound banking mortgage system, which is under the supervision of the MMA. There are only a small number of freehold property interests in the older part of Macau.

According to the Cartography and Cadaster Bureau, 21 percent of land parcels in Macau do not have clear title, for unknown reasons. Industry observers commented

that no one knows whether these land parcels will be privately or publicly owned in the future.

Macau has no specific regulations regarding land lease or acquisition by foreign and/or non-resident investors.

### *Intellectual Property Rights*

Macau is a member of the World Intellectual Property Organization (WIPO). 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, and government offices are required to use only licensed software. The GOM 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. The MES 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. In 2016, Macau had no reported cases of optical disc piracy. 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.

The number of applications for trademark registrations grew by double digits over the past five years. In 2016, the MES filed a total of 11,507 applications for trademark registrations. According to the MES satisfaction survey conducted in 2016, all its services relating to copyrights, trademarks, patents, and layout designs reached the performance standards under the Performance Pledge Scheme.

### *Resources for Rights Holders*

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[Local lawyers list](#)

## **6—Financial Sector**

Hong Kong

*Capital Markets and Portfolio Investment*

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.

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 January 2017, the HKMC's outstanding amount of debt totaled USD 4.9 billion.

In 2006, a Deposit Protection Scheme (DPS) began operation. Depositors are now protected up to a maximum of HKD 500,000 (USD 64,100) per bank. As a result of the global financial crisis in late 2008, the HKG announced the use of its 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 assets of the DPS Fund (funded through contributions by member banks) amounted to USD 397.4 million at the end of March 2016, which is sufficient to cope with the simultaneous failures of two medium-sized banks. 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 March 2016, the HKG implemented new amendments to the DPS Ordinance. Under the new gross payout approach (as compared with the previous net payout approach), depositors under most circumstances will be fully compensated in the event of a bank failure within seven days from the previous six weeks.

In 2004, HKMA and Dun & Bradstreet (HK) Ltd. jointly launched a Commercial Credit Reference Agency to collate information about the indebtedness and credit history of SMEs and make such information available to members of the Hong Kong Association of Banks and the Hong Kong Association of Deposit Taking Companies.

In July 2016, HKMA established the Infrastructure Financing Facilitation Office to provide a platform for pooling the efforts of investors, banks, and the financial sector to offer comprehensive financial services for infrastructure projects in the emerging markets.

Under the Insurance Companies Ordinance, insurance companies are authorized by the Office of the Commissioner of Insurance (OCI) to transact business in Hong Kong. As of December 2016, there were 160 authorized insurance companies in Hong Kong. Of these, 71 were foreign companies (from 21 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. In April 2014, the HKG introduced the Insurance Companies (Amendment) Bill into the LegCo. The bill, which was enacted in July 2015, aims to provide a legal framework for establishing an Independent Insurance Authority (IIA) and a statutory licensing regime for insurance intermediaries, and to enhance protections for policyholders. The IIA has replaced the OCI since the end of 2016.

The Hong Kong Stock Exchange's total market capitalization rose by 0.4 percent during 2016, to USD 3.2 trillion, with 1,973 listed firms as of year-end 2016. Hong Kong's stock exchange ranked fourth in Asia after Tokyo, Shanghai, and Shenzhen, and eighth in the world in terms of capitalization. Hong Kong Exchanges and Clearing Limited, 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 or 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 (SOEs). Chinese state enterprises may 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 2016, a total of 241 Chinese enterprises had "H" share listings on the stock exchange, with combined market capitalization of USD 682.5 billion. In April 2014, Chinese Premier Li Keqiang announced the establishment of a Shanghai-Hong Kong stock exchanges connectivity mechanism (Shanghai-Hong Kong Stock Connect). The scheme, which aims to facilitate individual investor's ability to cross trade Hong Kong and Shanghai stocks, has operated since November 2014. Meanwhile, the RMB conversion limit for Hong Kong residents of RMB 20,000 (USD 3,000) per day has been removed. A similar "stock connect" scheme, between the Shenzhen and Hong Kong stock exchanges, was launched in December 2016.

In July 2015, the Hong Kong and Mainland China authorities launched the Mainland-Hong Kong Mutual Recognition of Funds scheme. By the end of January 2017, 48 Mainland mutual funds and six Hong Kong mutual funds were allowed to be distributed in each other's markets. This scheme, together with the Shanghai-Hong Kong Stock Connect, represents significant steps to liberalize the Chinese capital account and have created additional channels for the circulation of RMB funds between the onshore and offshore markets. In December 2016, the HKG announced the mutual recognition of funds program between Switzerland and Hong Kong.

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 USD 3.46 billion at the end of 1989 to USD 221.9 billion by the end of 2016. Between July 2007 and June 2016, when the PRC Government approved the sales of RMB-denominated bonds in Hong Kong, RMB 786.9 billion (USD 114.0 billion) of offshore RMB bonds

were issued in Hong Kong. The range of issuers has diversified to include a number of multinational enterprises such as McDonald's, Caterpillar, Unilever, Volkswagen, and Renault. 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 USD five billion annually into various investment vehicles. By the end of 2016, the net asset values of MPF funds amounted to USD 82.9 billion. In September 2014, the HKG made a successful inaugural issuance of sovereign Islamic bonds, with an issuance size of USD 1 billion and a tenure of five years. It was the world's first U.S. dollar-denominated sukuk (Islamic bond) originated by an AAA-rated government, creating a 4.7-times oversubscription rate. In May 2015, the HKG launched its second sukuk, with an issuance size of USD 1 billion and a tenure of five years. Buyers of this sukuk were 42 percent from the Middle East, 43 percent from Asia, and 15 percent from Europe. In February 2017, the HKG issued the third sukuk, which had an issuance size of USD 1 billion and a tenure of 10 years. This launch was oversubscribed by a factor of 1.7.

In March 2014, the LegCo enacted the Securities and Futures (Amendment) Ordinance, which provides for a regulatory framework for the over-the-counter derivatives market in Hong Kong, to meet the commitments of the Group of Twenty (G-20). The HKG implemented the new regime in July 2015 in phases, starting first with mandatory reporting and related record keeping obligations, followed by mandatory clearing and related record keeping obligations in a later phase.

In November 2015, the HKG introduced the Financial Institutions (Resolution) Bill to the LegCo in order to promote the quality of the financial markets. The bill intends to establish a regime to facilitate orderly resolution of financial institutions when risks are posed by their non-viability to the stability and effective working of the financial system of Hong Kong. The bill was passed by the LegCo in June 2016. The HKG has not yet enacted the legislation.

### *Money and Banking System*

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 February 2017, Hong Kong had 156 licensed banks, 22 restricted licensed banks, 17 deposit-taking institutions, and 55 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 170 branches, HSBC controls more than 33.3 percent of Hong Kong dollar deposits. The Bank of China (Hong Kong) is the second-largest banking group,

controlling 12.8 percent of Hong Kong dollar deposits throughout 220 branches. Thirty-five U.S. "authorized financial institutions" operate in Hong Kong. Most banks in Hong Kong maintain U.S. correspondent relationships. Hong Kong has begun implementing the Basel III capital, liquidity, and disclosure requirements from January 2013 in phases, with full implementation expected by January 2019.

Hong Kong's five largest banks, in terms of total assets (2016):

<b>Rank</b>	<b>Institution</b>	<b>Total Assets (USD Billions)</b>
1	HSBC	967.8
2	Bank of China (Hong Kong)	284.3
3	Hang Seng Bank	176.6
4	Standard Charter Bank (Hong Kong)	129.0
5	Bank of East Asia	98.2
Source: 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 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.

Banks in Hong Kong have in recent years been stepping up their anti-money laundering and counter-terrorist financing controls, including the adoption of more stringent customer due diligence (CDD) process for existing and new customers. A few international banks also apply different account opening processes in order to comply with the requirements or standards mandated by their head offices or overseas authorities. Under these circumstances, the HKMA has received 95 complaints over the past two years about banks rejecting applications to open

business accounts. In September 2016, the HKMA issued a circular to the banking industry, stressing “the CDD measures adopted by banks must be proportionate to the risk level and banks are not required to implement overly stringent CDD processes.” In addition, the HKMA has set up a dedicated website since March 2017 to communicate with the public regarding bank account opening and maintenance.

### *Foreign Exchange and Remittances*

#### **Foreign Exchange**

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 HKD 7.75 – HKD 7.85 = USD 1.

#### **Remittance Policies**

Hong Kong has no restrictions on the remittance of profits and dividends derived from investment, nor reporting requirements on cross-border remittances. Foreign investors bring capital into Hong Kong and remit it through the open exchange market.

Hong Kong has anti-money laundering (AML) legislation allowing the tracing and confiscating of proceeds derived from drug-trafficking and organized crime. Hong Kong also has an anti-terrorism law, which allows the authorities to freeze funds and financial assets that belong to terrorists.

Hong Kong is not on the Financial Action Task Force List of Countries identified as having strategic AML deficiencies. Hong Kong, however, was identified as a “Jurisdiction of Primary Concern” among those “major money laundering countries” by the U.S. Department of State 2017 International Narcotics Control Strategy Report, based on the significance of the amount of proceeds laundered, not on the AML measures taken.

### *Sovereign Wealth Funds*

In February 2015, the Financial Secretary John Tsang announced in his Budget Speech that the HKSAR will set up a new sovereign wealth fund, dubbed the Future Fund, with an endowment of USD 28.2 billion from part of the fiscal reserves and a proportion of future budget surpluses. The Future Fund, which has been in place since January 2016, seeks higher returns through long-term investments. The Future Fund adopts a “passive” role as a portfolio investor, and will be placed with the Exchange Fund, which follows the Santiago Principles, for an initial ten-year period. About half of the Future Fund will be deployed in alternative assets, mainly

global private equity and overseas real estate, over a three-year period. The rest is placed with the Exchange Fund's Investment Portfolio, part of which is a multi-currency portfolio invested in the major fixed-income markets.

## Macau

### *Capital Markets and Portfolio Investment*

Macau allows free flows of financial resources. Foreign investors can obtain credit in the local financial market.

In December 2009, the MMA 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 exchanged for each individual transaction increased from RMB 6,000 (USD 878) to RMB 20,000 (USD 2,928). The list of designated merchants who are allowed to exchange RMB for MOP from Macau banks was 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 (USD 7,320) per account per day. Since 2010, the People's Bank of China has been providing 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 MMA signed an agreement with the People's Bank of China to acquire up to RMB 10 billion in RMB bonds. In December 2013, China doubled the quota for investment in the mainland bond market to RMB 20 billion. Since March 2016, the Macau RMB Real Time Gross Settlements (RMB RTGS) System has been put into operation, providing real-time settlement services for RMB remittances and interbank transfer of RMB funds. The RMB RTGS System will not only help improve risk management and clearing efficiency of RMB funds, but also foster Macau's development into a RMB clearing platform for trade settlement between China and Portuguese-speaking countries.

Macau has no stock market, but companies can seek a listing in Hong Kong's stock market. Macau and Hong Kong financial regulatory authorities also cooperate on issues of mutual concern. Under the Macau Insurance Ordinance, the MMA authorizes and monitors insurance companies. There are 11 life insurance companies and 12 non-life insurance companies in Macau. Total gross premium income from insurance services amounted to USD 2.6 billion in 2016.

Offshore finance businesses, including credit institutions, insurers, underwriters, and offshore trust management companies, are regulated and supervised by the MMA. Profits derived from offshore activities are fully exempted from all forms of

taxes. In June 2012, the Legislative Assembly passed a draft bill for a deposit protection scheme. The new law (Law 9/2012), which has been in effect since October 2012, stipulates that banks compensate depositors up to a maximum of MOP 500,000 (USD 62,500) in case of a bank failure. To finance the deposit protection scheme, the GOM has injected MOP 150 million (USD 18.75 million) into the deposit protection fund, while banks need to pay an annual contribution of 0.05 percent of the amount of protected deposits held.

### *Money and Banking System*

The MMA functions as a de facto central bank. It is responsible for maintaining the stability of the financial system and managing the currency reserves and foreign assets. At present, there are twenty-nine financial institutions in Macau, including 10 local banks and 19 branches of banks incorporated outside Macau. In addition, there are 11 moneychangers, 2 cash remittance companies, 2 financial intermediaries, 6 exchange counters, and 1 representative office of a financial institution. These institutions provide a range of credit instruments. The Bank of China and Industrial and Commercial Bank of China are the largest two banks in Macau, with total assets of USD 72.1 billion and USD 23.9 billion, respectively. Banks with capital originally from Mainland China and Portugal had a combined market share of about 89 percent of total deposits in the banking system at the end of 2015. Total deposits amounted to USD 64.9 billion by the end of 2016. In the fourth quarter of 2016, banks in Macau maintained a capital adequacy ratio of 16.13 percent, well above the minimum eight percent recommended by the Bank for International Settlements. Accounting systems in Macau are consistent with international norms.

### *Foreign Exchange and Remittances*

#### **Foreign Exchange**

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 MOP 7.99 = USD 1. The Macau Monetary Authority (MMA), the city's 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.

#### **Remittance Policies**

Macau does not restrict the remittance of profits and dividends derived from investment, nor does it require reporting on cross-border remittances. Foreign investors can bring capital into Macau and remit it freely.

Macau has anti-money laundering (AML) and counter-terrorist financing (CFT) laws in place. In addition, Macau is not on the Financial Action Task Force (FATF) List of Countries identified as having strategic AML deficiencies. FATF, however, has recommended that the GOM continue making efforts to develop an AML/CFT framework that meets international standards, including an effective cross-border cash declaration system.

In August 2015, the MMA signed a Memorandum of Understanding (MOU) on AML actions with the People's Bank of China. The MOU covers actions such as information exchange and cooperation on onsite inspections of casino operations. Furthermore, the Legislative Assembly approved unanimously in March 2016 Macau's first terrorist asset-freezing bill, which is based on compliance with the United Nations (UN) Security Council resolutions. The bill became effective on August 30, 2016.

#### *Sovereign Wealth Funds*

The International Monetary Fund (IMF) suggested in July 2014 that the GOM invest its large fiscal reserves in setting up a sovereign wealth fund to protect the city's economy from future headwinds like slowing gaming revenues, increased social spending arising from the ageing population, and structural reforms in Mainland China. In November 2015, the GOM decided to establish a sovereign wealth fund, named the MSAR Investment and Development Fund, through a substantial allocation from the city's ample fiscal reserves. The GOM is currently studying the relevant legislation for setting up the Fund by 2019.

## **7—State Owned Enterprises**

### **Hong Kong**

Hong Kong does not have SOEs. The closest entity to SOEs in Hong Kong are known as "statutory bodies," which are bodies corporate, established by statutes to perform a variety of functions that are largely commercial in nature.

Hong Kong is party to the Government Procurement Agreement (GPA) within the framework of WTO. Annex 3 of the GPA includes such statutory bodies as the Housing Authority, Hospital Authority, Airport Authority, Mass Transit Railway Corporation Limited, and the Kowloon-Canton Railway Corporation, which procure in accordance with the agreement.

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 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 establishing a clear separation between industrial policy and the government's ownership function, and minimizing exemptions of government-affiliated 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 Guidelines on Corporate Governance of State-owned Enterprises of the Organization for Economic Cooperation and Development (OECD).

### *Privatization Program*

All major utilities in Hong Kong are owned and operated by private enterprises, with the exception of the water supply and airport. The HKG considered privatizing the Hong Kong International Airport in 2003, but concluded after a study that keeping the airport under full government ownership would ensure delivery of maximum benefit to the Hong Kong economy. The HKG has not, since then, indicated any interest in further privatization programs.

### *Macau*

Macau's gaming sector accounts for 48 percent of output and 77 percent of general government revenue, although the GOM has no ownership in any gaming companies. Macau does not have state-owned enterprises (SOEs). 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 10 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.

Macau is not party to the WTO's Government Procurement Agreement (GPA). The media reports that the Joint Committee set up under the EU-Macau Bilateral Agreement is engaging with Macau on adopting the GPA.

#### *Privatization Program*

The GOM has not mentioned any considerations of privatization programs in recent years.

## **8—Responsible Business Conduct**

### **Hong Kong**

In April 2010, the Hong Kong Productivity Council 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,” as well as seminars and workshops. In July 2012, LegCo 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. The new law came into force in March 2014. The Sustainability Management Research Center of the Hong Kong Polytechnic University announced the results of its Hong Kong Business Sustainability Index (HKBSI) in January 2017. It showed that the overall average score of the 50 constituent companies of the Hang Seng Stock Index was 45.73 (out of 100 points), an increase of 9.5 percent compared to the HKBSI in 2015. The rise reflected that more companies are concerned about business sustainability, and hence, were diligent in implementing corporate social responsibility practices in this round of assessment. In March 2017, the HKG held a Corporate Governance Roundtable to promote and enhance good corporate governance of companies in Hong Kong. Regulators, practitioners, and academics in the conference discussed issues relating to corporate governance from international and local perspectives.

Hong Kong is not a member of the OECD, and hence, the OECD Guidelines for Multinational Enterprises is not applicable to Hong Kong companies. The HKG, however, commends enterprises for fulfilling their social responsibility.

### **Macau**

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 corporate social responsibility (CSR) programs. For example, Companhia de Electricidade de Macau, an electric utility, provides educational programs and repair services free-of-charge to underprivileged residents. The GOM conducted an interim assessment of the gaming sector in May 2016. One of the nine aspects that the GOM will consider for the renewal of gaming licenses, which will expire in 2020-2022, is casino operators' social responsibility. (Note: The licenses held by SJM Holdings and MGM China will expire in 2020, while those of Wynn Resorts, Melco Crown Entertainment, Galaxy Entertainment Group, and Sands China all run until 2022. End note.) Since 2007, the Junior Chamber International Macau has held an annual Corporate Social Responsibility International Forum to promote CSR programs. In February 2017, Macau Polytechnic Institute held a Forum on Macau Integrated Tourism and Leisure Enterprises and Corporate Social Responsibility. All six gaming operators presented in the forum and promoted CSR.

Macau is not a member of the OECD, and hence, the OECD Guidelines for Multinational Enterprises are not applicable to Macau companies.

## **9—Corruption**

### **Hong Kong**

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 HKD 100,000 (USD 12,820) fine if convicted. Individuals in both the private and public sector can receive up to seven years imprisonment and a HKD 500,000 (USD 64,100) fine for offering, soliciting, or accepting a benefit for performance or non-performance of an official duty.

In May 2013, the ICAC started a criminal investigation into its own former head, Timothy Tong, after an audit revealed that he overspent the hospitality limit at two dinners that he hosted and spent public money on other banquets and gifts for Mainland officials during his 2007-2012 term. In January 2016, the ICAC announced that there would be no criminal proceedings or further criminal investigations into Tong because there was no clear and convincing evidence.

In December 2014, former Chief Secretary for Administration Rafael Hui and co-chairman of Sun Hung Kai Properties (SHKP) Thomas Kwok were found guilty of corruption in Hong Kong's most high-profile corruption trial. Two of the middlemen involved in the scandal, SHKP director Thomas Chan and ex-stock exchange official Francis Kwan, were both found guilty in the months-long trial. Hui was jailed for 7.5 years, Chan for six years, and the two other defendants for five years.

It was alleged in February 2012 that former Chief Executive Donald Tsang agreed to a low-rent deal for a luxury Shenzhen flat with a businessman and accepted complimentary rides in private yachts or jets for travel to Macau and elsewhere. Tsang was charged in October 2015 by the ICAC with two counts of misconduct in public office. The High Court scheduled Tsang's case before the Court of First Instance on January 3, 2017. In February 2017, Tsang was sentenced to 20 months in prison for misconduct, after failing to disclose plans to rent a luxury apartment for his retirement from a businessman applying for a broadcasting license. Tsang became the highest-ranking Hong Kong official sent to prison for wrongdoing. He has lodged appeals against both his conviction and sentence. He also faces a retrial, tentatively set for September 2017, for a charge on which the jury failed to reach a verdict over Tsang's alleged receipt of about USD 430,000 worth of renovations on the luxury home, as a bribe for approving a broadcasting license.

### **UN Anticorruption Convention, OECD Convention on Combating Bribery**

Hong Kong is not a party to the United Nations Anticorruption Convention, nor a party to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

### **Resources to Report Corruption**

Simon Pei, Commissioner  
Independent Commission Against Corruption  
303 Java Road, North Point, Hong Kong  
+852-2826-3111  
[com-office@icac.org.hk](mailto:com-office@icac.org.hk)

### **Macau**

In December 2014, the Legislative Assembly passed a bill on preventing and curbing bribery in external trade. The bill, which is based on the UN Convention against Corruption, came into effect January 2015. The law stipulates that anyone who offers a bribe to foreign public officials (including officials of Mainland China, Hong Kong, and Taiwan) and officials of public international organizations in exchange for a trade deal could receive a jail term up to three years or fines.

Macau's anti-corruption agency is 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. In February 2016, former head of the Public Prosecutions Office Ho Chio-meng was arrested by CCAC. Ho, who had been an executive of the anti-graft agency before Macau reverted to Chinese sovereignty, and his main officers were accused of receiving USD 5.5 million in kickbacks during 2004-14 from public works contracts worth a total of USD 21 million. The Court of Final Appeal started hearing the case in December 2016 and continued in 2017.

### **UN Anticorruption Convention, OECD Convention on Combating Bribery**

Macau is not a party to the UN Anticorruption Convention, nor a party to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

### **Resources to Report Corruption**

Contact at government agency responsible for combating corruption:

CHEONG Weng-chon, Commissioner  
Commission Against Corruption  
105, Avenida Xian Xing Hai, 17/F, Centro Golden Dragon, Macau  
+853- 2832-6300  
[ccac@ccac.org.mo](mailto:ccac@ccac.org.mo)

## **9.1—Political and Security Environment**

### **Hong Kong**

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.

However, violence erupted in the streets of Mong Kok on the night of February 8, 2016, after a municipal crackdown on illegal outdoor food vendors rapidly escalated. A few hundred people gathered in the streets. Dozens of protesters hurled bottles and garbage cans at police officers and tore bricks from the pavement to be used as

weapons. Police responded with pepper spray and batons, and also fired two warning shots into the air.

## Macau

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.

## 9.2—Labor Policies and Practices

### Hong Kong

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 3.3 percent by the end of February 2017. In 2016, skilled personnel working as administrators, managers, professionals, and associate professionals accounted for 38.0 percent of the total working population. Hong Kong has a significant number of imported low-skilled workers, who are predominantly domestic helpers. As at May 2016, there were a total of 346,027 foreign domestic helpers in Hong Kong. In 2016, about 19,052 foreign professionals came to work in the city. The Employees Retraining Board provides skills re-training 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.

The Employment Ordinance (EO) and the Employees' Compensation Ordinance prohibit the termination of employment in certain circumstances: 1) Any pregnant employee who has at least four weeks' service and who has served notice of her pregnancy; 2) Any employee who is on paid statutory sick leave and; 3) Any employee who gives evidence or information in connection with the enforcement of the EO or relating to any accident at work, co-operates in any investigation of his employer, is involved in trade union activity, or serves jury duty may not be dismissed because of those circumstances. Breach of these prohibitions is a criminal offence.

According to the EO, an employee employed under a continuous contract for not less than 24 months is eligible for severance payment if: 1) dismissed by reason of redundancy; 2) under a fixed term employment contract that expires without being renewed due to redundancy; or 3) laid off.

Unemployment benefits are income tested and asset tested on an individual basis if living alone; if living with other family members, the total income and assets of all

family members are taken into consideration for eligibility. Recipients must be between the ages of 15-59, capable of work, and actively seeking full-time employment.

In 2015 (latest available figure), membership in Hong Kong's 821 registered unions totaled 869,528, a participation rate of about 24.3 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 visit the [Labor Department of Hong Kong](#) (click on Chapter 57 “Employment Ordinance”).

The Labor Relations Ordinance stipulates a series of conflict resolution mechanisms for settling disputes. A dispute may be referred to the Labor Department for ordinary conciliation. If such conciliation does not settle the case, the Commissioner for Labor may appoint a special conciliation officer to undertake conciliation, or may appoint a mediator or a board of mediation and refer the dispute to mediation without seeking prior consent of the parties concerned. If ordinary and special conciliation fail to settle the dispute, the Chief Executive in Council (ExCo, the cabinet of advisors to the Chief Executive) has three options: 1) referring the dispute to arbitration with the consent of the parties; 2) referring the dispute to a board of inquiry; or 3) taking any other action as warranted by the circumstances of the dispute. If the dispute has caused grave harm to the economy or seriously jeopardized the well-being of a substantial number of persons, the ExCo may invoke a cooling-off period.

In January 2011, LegCo passed Hong Kong's first statutory minimum hourly wage, set at HKD 28 (USD 3.6) starting May 2011. After increasing the minimum hourly wages in 2013 and 2015, the government raised the minimum hourly wage to HKD 34.5 (USD 4.4) starting May 2017.

## Macau

Macau's unemployment rate in January 2017 was 2.0 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 GOM has approved the importation of domestic helpers from Mainland China.

Macau does not have any policies that waive labor laws in order to attract or retain investment. The rights for workers to form trade unions and to strike are both enshrined in the Basic Law, but there are no laws in Macau that specifically deal with those rights. The law does not provide that workers can collectively bargain, and while workers have the right to strike, there is no specific protection in the law from retribution if workers exercise this right. The labor unions are independent of the government and employers, by law and in practice.

According to the Labor Relations Law, a female worker cannot be dismissed, except with just cause (e.g., willful disobedience to orders given by superiors, or violation of regulations on occupational hygiene and safety), during her pregnancy or within the three months after childbirth. In practice, either the employer or the employee may rescind the labor contract with or without just cause. In general, any circumstance that makes it impossible to continue the labor relation can constitute just cause for rescission of the contract. If the employer terminates the contract with the worker without just cause, the employer must pay the employee severance pay. In addition, Macau's social security system, which is regulated by Decree-Law No. 84/89/M, provides local workers with economic aid when they are old, unemployed, or sick.

Workers who believe they were dismissed unlawfully can bring a case to court or lodge a complaint with the Labor Affairs Bureau. Even without formal collective bargaining rights, companies often negotiate with unions, although the government may act as an intermediary. There is no indication that past disputes or appeals were subject to lengthy delays.

The GOM has 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.

In June 2014, the GOM introduced to the Legislative Assembly a bill setting Macau’s first statutory minimum hourly wage at USD 3.8 for security guards and cleaners employed by property management companies. The bill, which was passed by the legislators in July 2015, came into effect January 1, 2016. This is the only minimum hourly wage in effect.

### 9.3—OPIC and Other Investment Insurance Programs

Hong Kong

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

Macau

Overseas Private Investment Corporation coverage is not available in Macau.

### 9.4—Foreign Direct Investment and Foreign Portfolio Investment Statistic

Hong Kong

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical Source*		USG or International Statistical Source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
<b>Economic Data</b>	<b>Year</b>	<b>Amount</b>	<b>Year</b>	<b>Amount</b>	
<b>Host Country Gross Domestic Product (GDP) (\$M USD)</b>	2016	\$319,117	2015	\$309,235	<u>World Bank</u>
<b>Foreign Direct Investment</b>	Host Country Statistical Source*		USG or International Statistical Source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other

	<b>Host Country Statistical Source*</b>		<b>USG or International Statistical Source</b>		<b>USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other</b>
<b>U.S. FDI in partner country (\$M USD, stock positions)</b>	2015	\$40,333	2015	\$64,049	<u>BEA</u>
<b>Host country's FDI in the United States (\$M USD, stock positions)</b>	2015	\$10,987	2015	\$11,102	<u>BEA</u>
<b>Total inbound stock of FDI as % host GDP</b>	2015	514%	2015	544%	N/A

\*Source: Hong Kong Census and Statistics Department. Note: The FDI statistics of the U.S. Department of Commerce differ from Hong Kong data because the Hong Kong Census and Statistics Department "country" designation refers to the immediate source/destination economy and does not necessarily reflect the country from/in which the funds are initially mobilized or ultimately used.

*Table 3: Sources and Destination of FDI*

<b>Direct Investment from/in Counterpart Economy Data</b>					
<b>From Top Five Sources/To Top Five Destinations (US</b>					

<b>Direct Investment from/in Counterpart Economy Data</b>					
<i>Dollars, Millions)</i>					
<b>Inward Direct Investment</b>			<b>Outward Direct Investment</b>		
Total Inward	1,394,580	100%	Total Outward	1,383,586	100%
British Virgin Islands	551,685	40%	China, P.R.: Mainland	607,960	44%
China, P.R.: Mainland	349,028	25%	British Virgin Islands	526,214	38%
Netherlands	89,095	6%	Cayman Islands	56,381	4%
Cayman Islands	85,268	6%	Bermuda	43,024	3%
Bermuda	73,910	5%	United Kingdom	30,933	2%
"0" reflects amounts rounded to +/- USD 500,000.					

Table 4: Sources of Portfolio Investment

<b>Portfolio Investment Assets</b>								
<b>Top Five Partners (Millions, US Dollars)</b>								
<b>Total</b>			<b>Equity Securities</b>			<b>Total Debt Securities</b>		
All Countries	1,256,929	100%	All Countries	789,089	100%	All Countries	467,839	100%

<b>Portfolio Investment Assets</b>								
Cayman Islands	321,664	26%	Cayman Islands	309,525	39%	China, P.R.: Mainland	135,517	29%
China, P.R.: Mainland	316,944	25%	China, P.R.: Mainland	181,426	23%	United States	100,359	21%
Bermuda	152,600	12%	Bermuda	151,306	19%	Japan	37,830	8%
United States	123,595	10%	United Kingdom	47,632	6%	Australia	24,356	5%
United Kingdom	63,896	5%	Luxembourg	28,115	4%	Luxembourg	22,330	5%

## Macau

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	<b>Host Country Statistical Source</b>		<b>USG or International Statistical Source</b>		<b>USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other</b>
<b>Economic Data</b>	<b>Year</b>	<b>Amount</b>	<b>Year</b>	<b>Amount</b>	
<b>Host Country Gross Domestic Product (GDP) (\$M USD)</b>	2016	44,775	2015	46,177	<u>World Bank</u>
<b>Foreign Direct Investment</b>	<b>Host Country Statistical Source</b>		<b>USG or International Statistical Source</b>		<b>USG or international Source of Data: BEA; IMF; Eurostat; UNCTAD, Other</b>
<b>U.S. FDI in</b>	2015	355	2015	D*	<u>BEA</u>

	Host Country Statistical Source		USG or International Statistical Source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
partner country (\$M USD, stock positions)					
Host country's FDI in the United States (\$M USD, stock positions)	2015	N/A	2015	164	<u>BEA</u>
Total inbound stock of FDI as % host GDP	2015	64%	2015	N.A.	N.A.

\*Note: (D) indicates that the data in the cell have been suppressed to avoid disclosure of data of individual companies.

Table 3: Sources and Destination of FDI

<b>Direct Investment from/in Counterpart Economy Data</b>					
<b>From Top Five Sources/To Top Five Destinations (US Dollars, Millions)</b>					
<b>Inward Direct Investment</b>			<b>Outward Direct Investment</b>		
Total Inward	29,035	100%	Total Outward	3,095	100%

<b>Direct Investment from/in Counterpart Economy Data</b>					
Cayman Islands	8,240	28%	China,P.R.:Hong Kong	703	23%
China,P.R.:Hong Kong	7,409	26%	China,P.R.: Mainland	526	17%
British Virgin Islands	6,813	23%	British Virgin Islands	106	3%
China,P.R.: Mainland	4,350	15%	N/A	N/A	N/A
Portugal	1,087	4%	N/A	N/A	N/A
"0" reflects amounts rounded to +/- USD 500,000.					

*Table 4: Sources of Portfolio Investment*

<b>Portfolio Investment Assets</b>								
<b>Top Five Partners (Millions, US Dollars)</b>								
<b>Total</b>			<b>Equity Securities</b>			<b>Total Debt Securities</b>		
All Countries	54,969	100 %	All Countries	21,308	100%	All Countries	33,660	100%
China, P.R.: Mainland	25,690	47%	China, P.R.: Mainland	6,451	30%	China, P.R.: Mainland	19,239	57%
China, P.R.: Hong Kong	7,250	13%	China, P.R.: Hong Kong	4,741	22%	United States	2,648	8%
United	5,130	9%	United States	2,483	12%	China, P.R.: Hong	2,510	7%

<b>Portfolio Investment Assets</b>								
States						Kong		
Cayman Islands	3,388	6%	Cayman Islands	1,863	9%	British Virgin Islands	1,698	5%
British Virgin Islands	2,268	4%	Luxembourg	1,290	6%	Australia	1,695	5%

## 9.5—Contact for More Information

### Hong Kong

Alan Brinker, Consul, Economic Affairs

U.S. Consulate General Hong Kong

26 Garden Road, Central

Hong Kong SAR, PRC

+852-2841-2489

[information\\_resource\\_center\\_hk@yahoo.com](mailto:information_resource_center_hk@yahoo.com)

### Macau

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## Trade & Project Financing

### Methods of Payment

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 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](mailto:office.hongkong@trade.gov).

## **Banking Systems**

Both Hong Kong and Macau have an open financial system, with no controls on currency movement. A description is contained in Investment Climate Statement – Efficient Capital Markets and Portfolio Investment.

## **Foreign Exchange Controls**

### **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.

## **US Banks & Local Correspondent Banks**

### **Licensed U.S. Commercial Banks in Hong Kong**

- [American Express Bank](#)
- [Bank of America, N.A.](#)
- [Bank of New York Mellon](#)
- [Citibank NA](#)
- [JP Morgan Chase Bank, N.A.](#)
- [State Street Bank and Trust Company](#)
- [Wells Fargo Bank NA](#)

- East West Bank
- First Commercial Bank
- Cathay Bank

Hong Kong's five largest local banks are indicated in the Investment Climate Statement.

## **Project Financing**

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 to 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 Asian Development Bank (ADB)

International mailing address:

US Embassy – NOX 2

1201 Roxas Boulevard, Ermita Manila,  
Philippines 1000

Telephone: (63-2) 301-2000; (63-2) 516-5093

E-mail: Office.ManilaADB@trade.gov

U.S. mailing address:

CS/ADB

Unit 8600

Box 1565

DPO AP 96515-1565

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: 1-202-458-0120  
Fax: 1-202-477-2967  
Email: ebozek@worldbank.org; scott.bozek@trade.gov

The Export-Import Bank of the United States (Ex-Im Bank) – the official export credit agency of the United States – supports the purchases of U.S. goods and services by creditworthy international buyers that cannot obtain credit through traditional trade finance sources. EXIM provides trade financing solutions – including export credit insurance, working capital guarantees, and guarantees of commercial loans to foreign buyers – to empower exporters of U.S. goods and services. In nearly 70 years of operation, Ex-Im Bank has supported more than \$400 billion of U.S. exports to international markets.

Contact information for U.S. EXIM Bank in Asia Pacific:

Richard Pearson  
Business Development Officer, Asia-Pacific  
Export-Import Bank of the United States  
811 Vermont Avenue, N.W.  
Washington, DC 20571  
Tel: 1-202-565-3709  
Email: richard.pearson@exim.gov

## **Financing Web Resources**

Trade Finance Guide: A Quick Reference for U.S. Exporters, published by the International Trade Administration's Industry & Analysis team.

Export-Import Bank of the United States

Country Limitation Schedule

OPIC

Trade and Development Agency

SBA's (US Small Business Administration) Office of International Trade

USDA (U.S. Department of Agriculture) Commodity Credit Corporation

U.S. Agency for International Development

# **Business Travel**

## **Business Customs**

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**

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 [the State Department's Alerts and Warnings page](#).

In an emergency, contact the nearest U.S. Embassy or Consulate Overseas Citizens Services or call these numbers: from the U.S. & Canada call: 1-888-407-4747; from overseas call: 1-202-501-4444.

## **Visa Requirements**

### **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](#).

Additional information on Hong Kong entry/exit requirements and general travel information can be found on the [U.S. State Department Travel website](#).

### **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](#).

Additional information on Macau entry/exit requirements and general travel information can be found on the [U.S. State Department Travel website](#).

### ***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](#)
- [American Consulate General Hong Kong Consular Section website](#)

### *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:

[The website of the Chinese Embassy in Washington, D.C.](#)

or

[The website for the China travel service of Hong Kong](#)

### **Currency**

The Hong Kong dollar is pegged to the U.S. dollar, with the rate set at HK\$7.8 per US\$1. Upon arrival in Hong Kong, money exchange (Travelex) 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 HK\$100 to MOP 103. The Hong Kong dollar is widely accepted – and often preferred -- for commerce as well as retail purchases in Macau.

### **Telecommunications/Electric**

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 900/1800, CDMA2000, W-CDMA, 3G, 4G) 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.

### *Internet Accessibility*

Over 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 2016, there were 208 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 2016.

Mobile internet access is also readily available in the city and available for foreign visitors to use. The number of hotspots under Hong Kong's common Wi-Fi brand, Wi-Fi.HK, has risen to over 12,000 across the 18 districts in the territory, providing convenient and free public Wi-Fi services to the public and visitors. Launched in 2014, Wi-Fi.HK is a collaborative scheme of the Government and the industry to promote public Wi-Fi services in Hong Kong. At present, Wi-Fi.HK hotspots can be found in various parts of Hong Kong, covering the Hong Kong International Airport, major tourist attractions, public phone booths, shopping centers, restaurants, cafés, convenience stores, college campuses, clinics, Cyberport, the Hong Kong Science Park and GovWiFi premises.

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.

CTM Macau is aggressively expanding the list and so it may change anytime. Basically wireless internet access is available near CTM shops, in participating Cafe and Restaurants and CityGuide Kiosks.

You can buy a pack of [CyberCTM Wireless Broadband Card](#) which includes a CyberCTM Wireless Broadband Card and the User Guide. At last check the cards costs MOP50 for 2 accumulative hours and MOP100 for 5 accumulative hours.

In addition to private-owned hot spots, the Macau Government has also funded the installation of “WiFi Go” which provides citizens and tourists with free wireless

internet access. As of April 2016, there were 183 access points including museums, libraries, parks, public squares, ports, activity centers, stadiums, and some government facilities. Locations of the “WiFi Go” hot spots can be found online.

## **Transportation**

### **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

First Ferry

Cotai Jet

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.

## 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.

## Language

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

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](#).

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](#)

[U.S. Centers for Disease Control Website](#)

[U.S. State Department Your Health Abroad](#)

## Local Time, Business Hours and Holidays

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. **2017 Holidays** (For both Hong Kong and Macau unless indicated)

Date (Day)	Holiday
January 2 (Monday)	The day following the first day of January
January 28 (Saturday)	Lunar New Year's Day
January 30 (Monday)	The third day of the Lunar New Year
January 31 (Tuesday)	The fourth day of the Lunar New Year (Hong Kong only)
April 4 (Tuesday)	Ching Ming Festival
April 14 (Friday)	Good Friday
April 15 (Saturday)	The day following Good Friday
April 17 (Monday)	Easter Monday (Hong Kong only)
May 1 (Monday)	Labour Day
May 3 (Wednesday)	The Buddha's Birthday
May 30 (Tuesday)	Tuen Ng (Dragon Boat) Festival
July 1 (Saturday)	Hong Kong Special Administrative Region Establishment Day (Hong Kong only)
October 2 (Monday)	The day following National Day
October 5 (Thursday)	The day following Chinese Mid-Autumn Festival
October 28 (Saturday)	Chung Yeung Festival (Hong Kong only)
November 2 (Thursday)	All Soul's Day (Macau only)
December 8 (Friday)	Feast of Immaculate Conception (Macau only)
December 20 (Wednesday)	Macau Special Administrative Region Establishment Day (Macau only)
December 22 (Friday)	Winter Solstice (Macau only)
December 25 (Monday)	Christmas Day
December 26 (Tuesday)	The second weekday after Christmas Day (Hong Kong only)

## **Temporary Entry of Materials or Personal Belongings**

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.

## **Travel Related Web Resources**

[American Consulate General Hong Kong American Citizens Services](#)

[Centers for Disease Control and Prevention](#)

[Hong Kong Customs and Excise Department](#)

[Hong Kong Center for Health Protection](#)

[Hong Kong Immigration Department](#)

[Hong Kong Tourism Board](#)

[State Department Visa](#)

[Macau Government Tourist Office](#)

[Macau Customs Service](#)

[Government of Macau Special Administrative Region Health Bureau](#)

[Immigration Service of the Macau Public Security Police Force](#)