



Explore Opportunities in Hong Kong's Digital Ecosystem

Find your Success in Hong Kong's

-  eCommerce Gateway to Asia and beyond
-  Thriving Food Industry
-  Leading Creative Digital Ecosystem

Invest**HK**



pwc

Foreword

Hong Kong's digital ecosystem has evolved and developed rapidly and is vital for the city, its people and its businesses. It impacts every aspect of life for the people of Hong Kong who lead increasingly digital lifestyles.

Invest Hong Kong and PwC are pleased to present in-depth analysis of the ever-evolving role of digital in Hong Kong's eCommerce, Food Services and Creative Industries.

This report draws on the knowledge, data and experience of PwC professionals, industry experts and leading market research highlighting areas of growth, success stories, key statistics and forecasts to provide insights on new opportunities in Hong Kong, and from the city further extending across Greater China, ASEAN and along the Belt and Road countries.

We also examine how consumer preferences have changed, and how businesses have transformed to address these changes. Agility plays a key role in the recovery, growth and strength across sectors and has enabled Hong Kong's digital ecosystem to adapt and grow from the disruptions brought by COVID-19.



Hong Kong is strategically located in the fast developing, economic power house of Asia. At the same time it is China's international city. Across the region, accelerated by COVID-19, consumers and businesses are fast adopters of digital technologies. The Greater Bay area is amongst the most exciting, high potential regions of the world. If you seek growth, if you want to shape the future, come to Hong Kong!"

Stephen Phillips

*DIRECTOR GENERAL OF INVESTMENT
PROMOTION, INVEST HONG KONG*

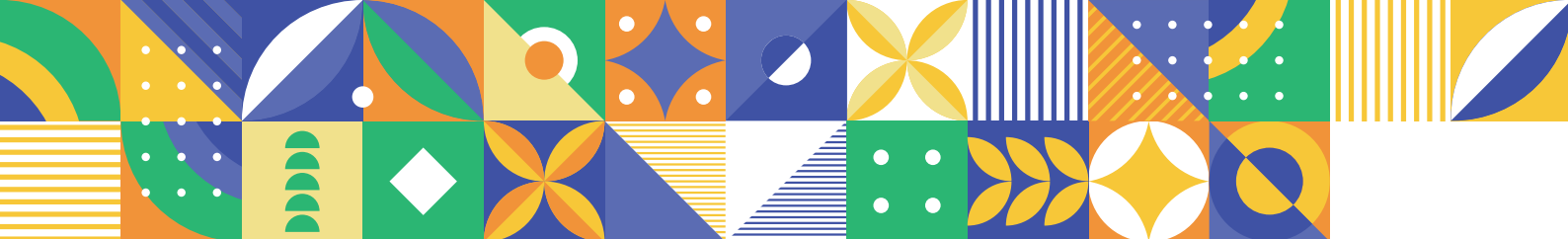


Hong Kong has solidified itself as one of the world's most exciting and dynamic markets today. As an international business hub powered by a robust digital infrastructure, Hong Kong's eCommerce market, food services industry and creative industries are rapidly growing, innovating and adapting to changing consumer preferences. There are rich opportunities for digitalisation, and Hong Kong's central location in Asia offers business' prime position to expand across the region.

Edmund Lee

PwC HONG KONG CONSULTING LEADER





Executive Summary

Hong Kong is a complex market that is exhibiting signs of strong growth, and a business destination that continues to create fresh opportunities for industry. Our analysis within this report outlines three of the most exciting industries the city has to offer. Focusing on Hong Kong's eCommerce Sector, Food Services, and Creative Industries, we aim to define the relative current state, the latest trends, and the future opportunities for each. Our examination draws attention to several key points:

Consumer Products: Finding success in Asia's eCommerce Gateway and Beyond

As an international business hub powered by a robust digital infrastructure, Hong Kong's eCommerce market is rapidly growing, and the city is in a prime position to expand across the region. The city has a consumer base with highly digitised behaviours and lifestyles, advanced logistics infrastructure, a rich ecosystem of investors and start-ups and is a cross-border entry point to top eCommerce markets in Asia. The characteristics of Hong Kong's eCommerce create a rare opportunity that businesses should not overlook.



Scan here to
read in full

Food Services: Accelerated Digital Growth and Development

As an important culinary capital of Asia, Hong Kong's food services industry has innovated and adapted to changing consumer preferences. Consumers have embraced the benefits of going digital, and have rapidly adopted food and grocery delivery services. Businesses are likewise innovating and pushing the industry forward through sustainable product offerings, diverse business models (such as Cloud Kitchens) and digital transformation partners flourishing in the city. These opportunities will only continue to grow, and businesses should look to enter Hong Kong to capitalise.



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Creative Industries: Driving Innovation and Future Growth

As a leader in global creative output, Hong Kong is witnessing a significant change in consumer demands resulting in digital advertising growth. Media usage, increased demand for ArtTech and NFTs, accelerated rise of OTT video, gaming and esports dominance are all exhibiting strong growth. Innovative companies are upgrading and updating traditional ways of working and doing business, triggering increased demand for digital media, tools and skills. This presents rich opportunities for the entire creative industry to both ride this wave and fuel digitalisation efforts simultaneously.



Scan here to
read in full

Combined, these factors play a pivotal role in reinforcing the digital ecosystem of Hong Kong and solidifying it as one of the world's most exciting, and potentially lucrative markets today.

Why Hong Kong?

Why Hong Kong?

6



Why do Business in Hong Kong?

Hong Kong is a five hour flight from half of the world's population

Experienced Business Facilitator Between the World and Asia-Pacific

Hong Kong's central location in the Asia-Pacific region (APAC) is an unbeatable natural advantage. The city is a five hour flight from half of the world's population, and benefits from proximity to Mainland China. Closeness to major Asian markets and logistic efficiency gives businesses in Hong Kong access to strategic partners and customers in key emerging markets.



Hong Kong is one of the world's longstanding leaders in trading and finance and as a strategically positioned port, it is also a leading international business hub in APAC. Hong Kong is ranked 3rd globally in FDI inflows, behind the USA and Mainland China. Businesses and banks from around the world have established their Asia headquarters in the city to tap into the growth opportunities around the region.

Hong Kong is a Special Administrative Region (HKSAR)

Hong Kong was once again ranked as the world's freest economy in 2021, earning the top rank in the categories of "freedom to trade internationally" and "regulation". Hong Kong's "size of government", "sound money" and "legal system and property rights" were ranked 9th, 12th and 20th respectively.¹ A free economic system is practiced in the HKSAR, and the mechanisms of this economic system are manifested in finance, banking, trade, industry and commerce, real estate, shipping and civil aviation. The HKSAR protects property

rights of individuals and has finances, financial revenue, taxation system and has a high degree of autonomy under the One Country, Two Systems principle. Furthermore, the Hong Kong dollar is freely convertible, and no foreign exchange control is applied in the HKSAR. The Hong Kong government will safeguard the free flow of capital within, into and out of the HKSAR. In addition, Hong Kong has status as a free port, and safeguards the free movement of goods, intangible assets and capital.

What does being in HKSAR mean for businesses?



Free Trade Port status



Business friendly tax rates



English and Chinese are official languages



"One Country, Two Systems" - Common Law legal system



Intellectual property rights are legally protected

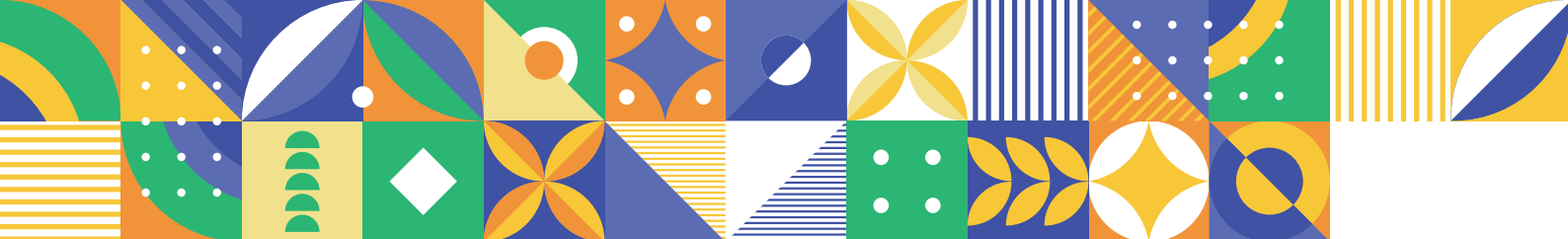


Stable currency pegged to US Dollar



170 countries and territories may visit Hong Kong visa free

¹ Economic Freedom of the World 2021 Annual Report, Fraser Institute, 2021



The APAC Hub for Global Companies

Hong Kong plays an important role for both Mainland Chinese businesses and international firms in APAC. It provides a prime location for regional headquarters and local offices for thousands of businesses, and the diversity of the market means that the city serves as a launch pad into the rest of the region.

Despite the challenges faced in 2020, the business environment in Asia, in particular

Hong Kong, remained robust. Not only was Developing Asia the only region in the world that recorded foreign direct investment (FDI) growth amid global FDI contraction but the uptick in Asia was mostly driven by the increase of FDI flows to Hong Kong. Hong Kong's FDI surged by 62 percent year-on-year to HK\$926 billion, the third largest FDI recipient in the world behind the United States and Mainland China respectively.²

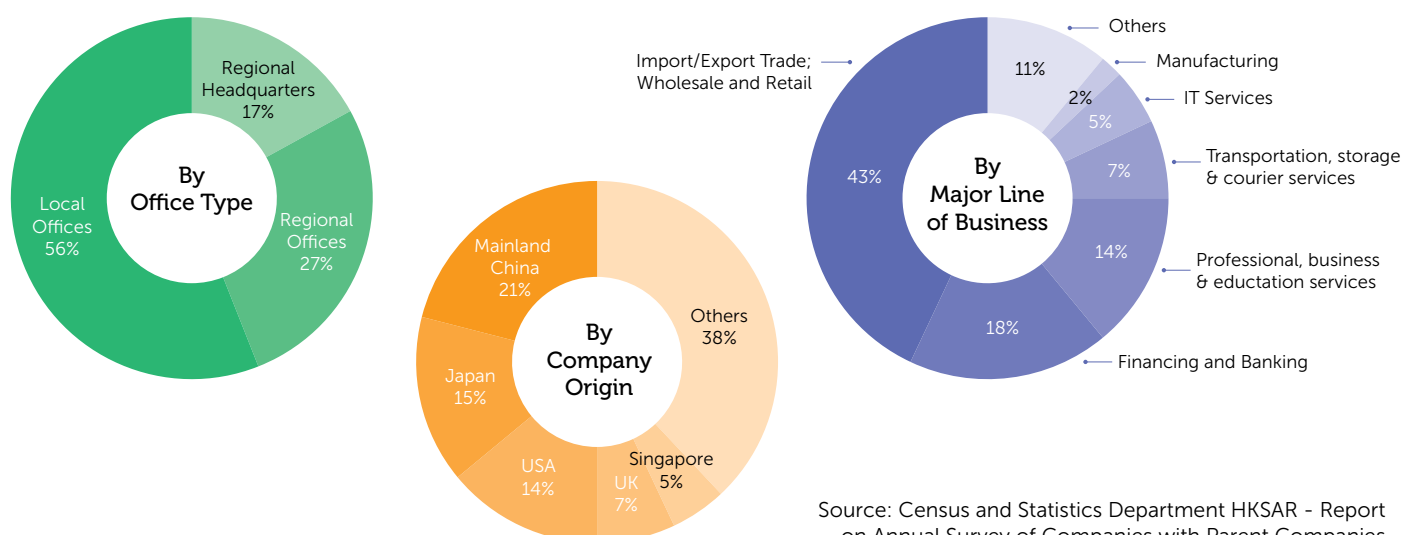
In Hong Kong there are:

650 UK based companies.
131 are RHQ, making Hong Kong the top Asian location for FDI from the UK.³

1,300 US operating offices.
By end of 2020, US outbound FDI to Hong Kong reached **US\$92.5 billion**.⁴

By 2020, Mainland China's outbound FDI to Hong Kong reached **HK\$4,081 billion**, accounting for **28% of total inward direct investment**.⁵

Figure 1 9,025 Companies with Parent Companies Located Outside Hong Kong



Source: Census and Statistics Department HKSAR - Report on Annual Survey of Companies with Parent Companies located outside of Hong Kong, 2020

² United Nations Conference on Trade and Development, World Investment Report 2021

³ The House of Commons Library, UK Parliament

⁴ Bureau of Economic Analysis, U.S. Department of Commerce, 2021

⁵ Census and Statistics Department, 2019, HKSAR

Hong Kong as the Connector of Greater China and South East Asia

Hong Kong's geographical location as the center between Greater China and South East Asia makes Hong Kong the logical first step for international businesses looking to enter Asia's markets. As such, the talent in Hong Kong have decades of cross regional experience and the city's infrastructure is developed to be the connection between APAC and the world. Furthermore, Hong Kong is one of the cities

in Asia with the most transport routes into Mainland China and these routes facilitate the movement of both people and goods. In 2020 with HK\$1,923 billion in value, Hong Kong was Mainland China's 2nd largest export market with 11 percent of their exports.⁶ Similarly, Mainland China has been Hong Kong's largest supplier in goods since 1982.⁷

Well Connected with Associations of Southeast Asian Nations (ASEAN)

ASEAN has a total population of 667 million and is set to be the fourth largest economy in the world by 2030⁸. Hong Kong is well positioned geographically to trade between the regions, with a less than 5-hour flight time to any ASEAN country.

In 2020, ASEAN was Hong Kong's 2nd largest supplier of goods, after Mainland China. Total merchandise trade between Hong Kong and ASEAN amounted to HK\$1,033 billion representing 13 percent of Hong Kong's total trade. Between 2016 and 2020, trade between Hong Kong grew at six percent per year.⁹

This prolific trading is enhanced by the Free Trade Agreement and Investment Agreement that Hong Kong signed with ASEAN in 2017. ASEAN countries have agreed to progressively eliminate or reduce customs duties on goods originating from Hong Kong. One example is that Singapore commits to binding all its customs duties at zero, and other ASEAN countries have similar commitments at varying levels and timeframes. These agreements enhance trade and strengthen Hong Kong's position as a prime business location when considering the South East Asian markets.

In addition, ten* ASEAN member states signed a new Regional Comprehensive Economic Partnership (RCEP) Agreement in 2020.

***RCEP ASEAN Countries:** Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam

The RCEP will lower tariffs, reduce barriers to business between members, enhance trade flows and improve market access for goods and services for businesses in the region. As described by Hong Kong's Secretary for Commerce and Economic Development Edward Yau, joining RCEP will be an important milestone for Hong Kong. It will integrate the city further into the regional value chain and strengthen economic ties between Hong Kong and other participating countries.

Tariff reductions, preferential market access, removal of trade barriers and simplified customs procedures will lower costs of trading and provide new business opportunities for Hong Kong's businesses to expand in the region. RCEP will also promote the use of RMB within the region which will benefit Hong Kong as the city is the world's leading RMB trade settlement centre and has the world's deepest offshore RMB liquidity pool.

⁶ Hong Kong Trade and Industry Department, 2021

⁷ Bureau of Economic Analysis, U.S. Department of Commerce, 2021

⁸ PwC's World in 2050 Report, 2017

⁹ Hong Kong Trade and Industry Department, 2021

Close Ties and Synergies with the Greater Bay Area Cities

The Guangdong-Hong Kong-Macao Greater Bay Area (GBA) comprises of the two Special Administrative Regions of Hong Kong and Macao, and the nine municipalities of Mainland China - Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing in Guangdong Province.

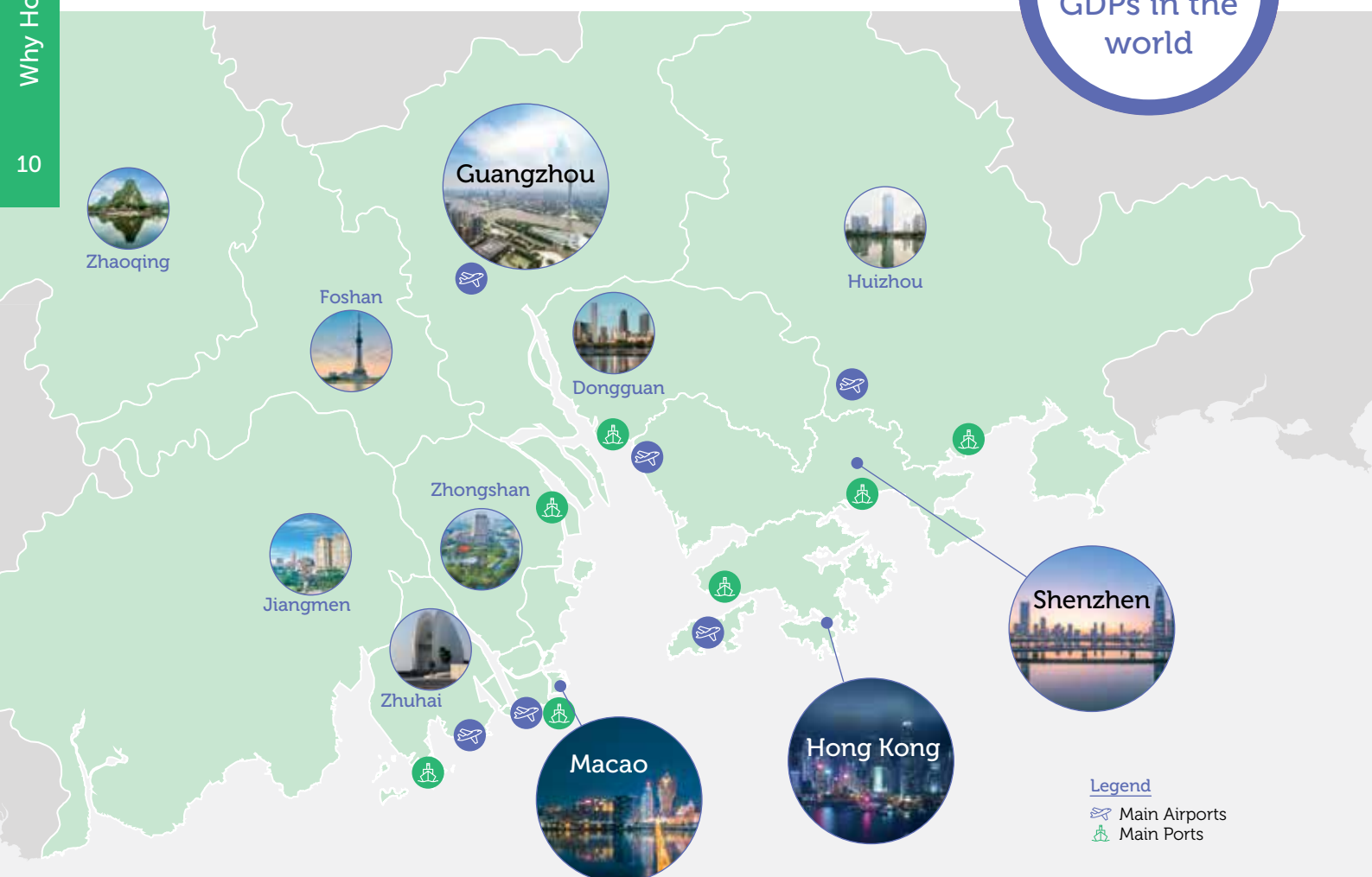
The GBA covers China's most open and economically vibrant region and plays an important role in China's vision to be a leader in innovation driven development. Its success can be recognised by its ranking in the Global Innovation Index 2020 as the 2nd most innovative cluster in the world.¹⁰

Total
Population
86 million

Total GDP
US\$1,668 billion

Top 10
highest
GDPs in the
world

Figure 2 The 11 Cities in the Greater Bay Area



¹⁰ World Intellectual Property Organisation, 2020



Hong Kong's Role in the Digital Belt & Road

The Digital Belt & Road (DBAR) was built with the purpose of improving digital connectivity across participating countries, and Hong Kong will play a key role in this endeavour by serving as a Digital Command Hub for companies currently in or looking to enter Belt & Road Countries. Hong Kong's strength in creating and nurturing companies within the city and managing companies outside of Hong Kong are two key reasons why Hong Kong will become a strategic management centre for DBAR.

To support this role, the Government of Hong Kong is prioritising the development of data centres, enabled by Hong Kong's robust telecommunications infrastructure, geographic reliability, free flow of information and reliable protection of data privacy. Hong Kong is one of the few cities in Asia to have all mainstream cloud solutions available and has world class 5G network connectivity.

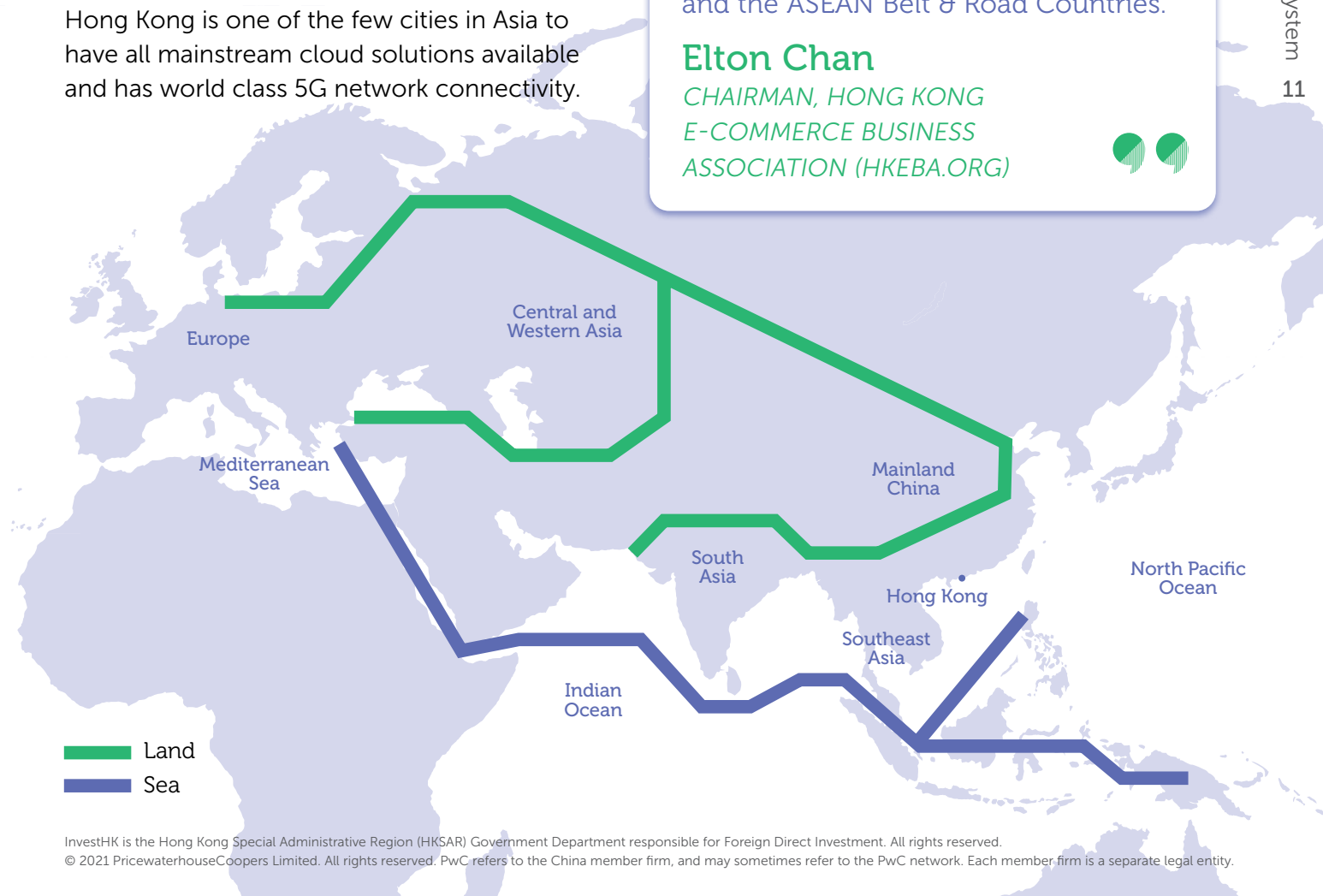
Hong Kong is well positioned to become a strategic hub for the DBAR, facilitating companies to access customers all across the DBAR, creating synergies and an abundance of opportunities for companies not only looking to enter the markets across the Belt & Road initiative but also including digital marketing strategy and content for all participating countries.

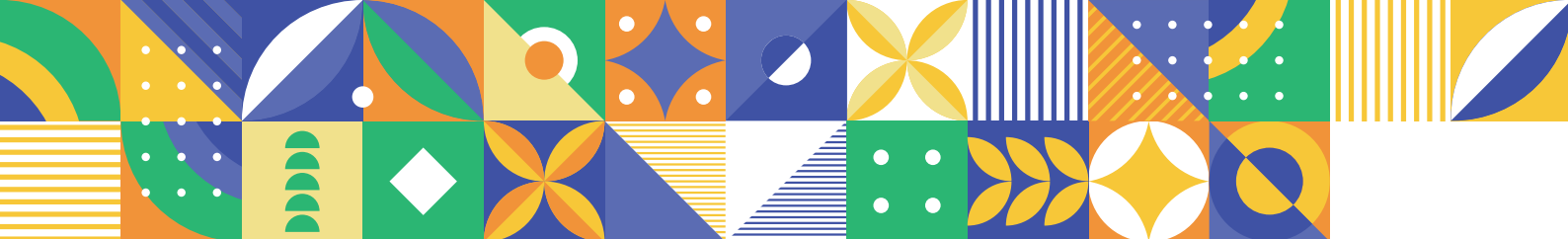


Hong Kong acts as the brain and mastermind to be the strategic thinker, project management planner and directional leader for technology companies. We'd call Hong Kong to be the "Digital Command Hub" for the GBA and the ASEAN Belt & Road Countries.

Elton Chan

CHAIRMAN, HONG KONG
E-COMMERCE BUSINESS
ASSOCIATION (HKEBA.ORG)

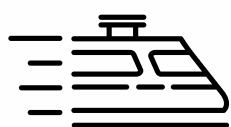




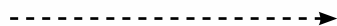
Excellent Connectivity through Land, Air, Sea and Digital

Infrastructure is one of the city's biggest advantages. Hong Kong is well connected with the wider region, and travel from Hong Kong is fast and efficient.

Travel the fastest route to GBA cities with the High-Speed Express Rail Link:



14 mins to Shenzhen



46 mins to Guangzhou

Express Rail Link
from Hong Kong

It is expected to generate an economic saving of HK\$83 billion over the next 50 years in terms of traveling time. The high-speed rail enables the flow of talent, goods, and information between Hong Kong and Mainland China.

Use the Hong Kong-Zhuhai-Macao Bridge (HZMB) that connects HK to other strategic cities in the Mainland China Region:

- It only takes 30 minutes compared to 4 hours
- One of the longest bridges in the world
- Rapidly increasing shipments to and from GBA cities
- Has turned the bay area into a dynamic economic zone that is suitable for living, doing business, and traveling between borders
- All cities in the GBA are now accessible via road



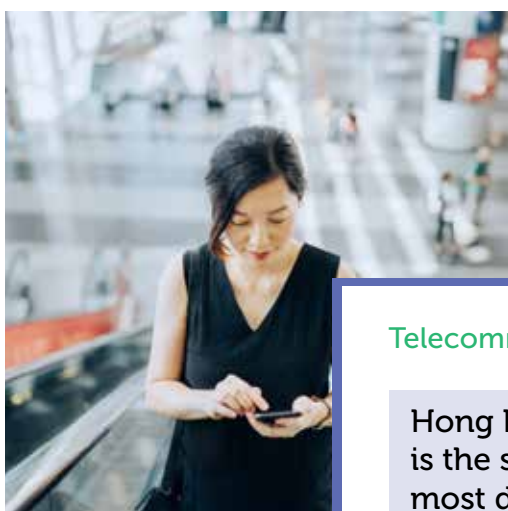
Hong Kong plans to invest HK\$100 billion in infrastructure¹¹

Transport Routes into Asia

The Government of Hong Kong plans to invest over HK\$100 billion in infrastructure over the coming years to support the city's growth and competitiveness as a logistics hub.¹¹ Hong Kong is a crucial hub for businesses due to the transport routes that connect Asia, Europe and the rest of the world.

Advantages of Hong Kong's Airways

HKIA and the Government are committed to excellence and HKIA is investing in building a new Third Runway that will increase passenger capacity by 33 million per year.¹² Upon completion of the Third Runway, HKIA will have the capacity to handle around 100 million passengers and 9 million tonnes of cargo annually by 2030.¹³ Furthermore, Mainland China's 14th Five-Year Plan, the grand strategic blueprint for the next half-decade, raises support for Hong Kong to mature from an international aviation hub into an international innovation and technology hub, a regional intellectual property trading centre and a hub for arts and cultural exchanges between Mainland China and the rest of the world.



Scan for PwC's interpretations on Mainland China's 14th Five Year Plan.

Telecommunications – A Key Enabler for Digital

Hong Kong is the second most digital city in Asia¹⁴

In 2020 Hong Kong was the second most digital city in Asia, and fifth in the world¹⁴. With a highly developed telecommunications infrastructure, consumers in

Hong Kong are digitally savvy and comfortable engaging with content and services online.

¹¹ HKSAR Annual Budget, 2021-22

¹² Hong Kong Airport Authority, 3 Runway System

¹³ Hong Kong International Airport

¹⁴ IMD World Digital Competitiveness Ranking by the IMD World Competitiveness Centre, 2020



5G coverage
in Hong Kong
has reached
99 percent¹³

Telecommunications at a Glance

Hong Kong's telecommunications industry is fully liberalised. All five major mobile network operators have launched 5G services, which enable download speeds of up to 20GB per second, opening a whole new realm of possibilities online.

Broadband Internet Services

Quantity

Internet service providers

266

Registered subscriptions with broadband access (estimated)

2,885,586

Household broadband penetration rate

95.1%

Mobile Services

Quantity

Mobile network operators

5

Mobile subscriber penetration rate

289.3%

Mobile subscriptions

22,784,623

Source: OFCA, HKSAR Government, 2021

Digital Connectivity Powered by 5G

Hong Kong's digital and business environment is also empowered by 5G, where coverage has reached 99 percent¹⁵ in the city. This high-speed network enables rapid connection time between devices and wireless networks, which empowers Artificial Intelligence (AI), Internet of Things (IoT) and predictive real-time technologies. 5G will also greatly enhance supply chain capabilities, increasing efficiency, speed and accuracy of tracking, cold chain management and more.



Scan for more
information on the
impact of 5G

¹⁵ Hong Kong Office of the Communications Authority, 2021



Consumers that are Digitally Connected to the World

As a result of high levels of mobile and internet access, 86 percent of consumers in Hong Kong use social media for an average of almost 2 hours per day.¹⁶

In addition, Hong Kong customers embrace internationally popular online channels, which means that global businesses can easily engage with Hong Kong customers to promote their products and services online. This is an advantage for international businesses as they do not need to acclimate to a new online ecosystem to access local customers.

Percentage of Hong Kong consumers who interact with:¹⁷

86%
YouTube

83%
Facebook

79%
Google

65%
Instagram

45%
WeChat

Percent of Hong Kong internet users aged 16-64 that own each device:¹⁶

97%
Smart Phone

73%
Laptop or Desktop Computer

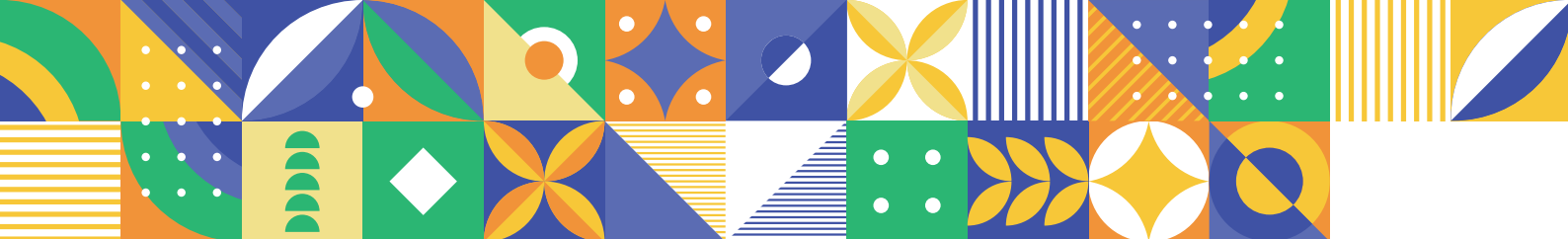
51%
Tablet Device

32%
Smart Watch or Wristband

12%
Smart Home Device

¹⁶ WeAreSocial, 2021

¹⁷ PwC Global Consumer Insights Survey, 2021



Low, Simple and Competitive Tax System

Simple Corporate & Individual Tax

Businesses operating in Hong Kong enjoy one of the most tax-friendly systems in the world.

To support start-ups and companies in growth stage, profit tax is generally assessed at only 8.25 percent for the first two million of assessable profits, and the remaining profits are assessed at 16.5 percent.

For individuals, salary tax is capped at a standard rate of 15 percent. In addition, Hong Kong adopts territorial source principle and profit tax is generally assessed on income arising in or derived from Hong Kong.* This means that service income may not be subject to Hong Kong profit tax if the relevant services are performed outside Hong Kong.



*Scan here for Inland Revenue Department's (IRD) interpretation of locality of profit, which has examples of income that is not subject to Hong Kong profits tax.

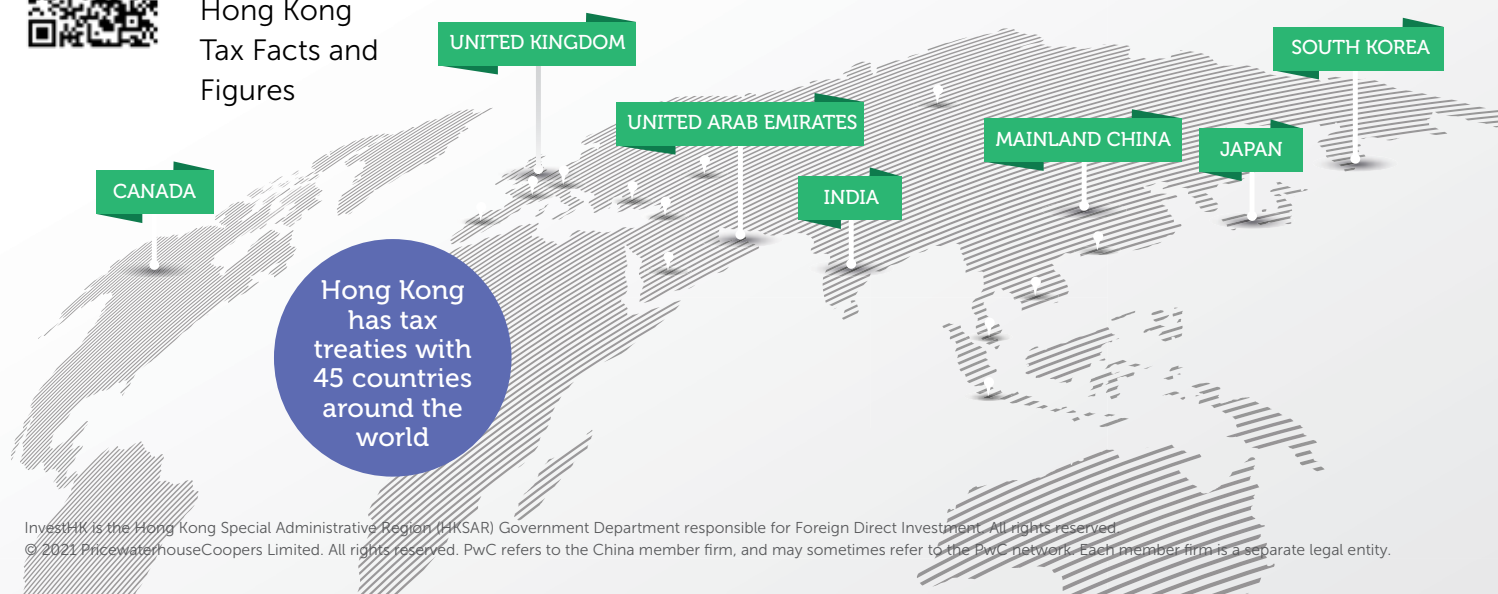


Scan here for PwC 2020/21 Hong Kong Tax Facts and Figures

Comprehensive Double Taxation Agreements

In addition to the simple tax structure, Hong Kong also has a strong tax treaty network which covers major business partners in the region such as Mainland China, Japan, South Korea, Canada, United Kingdom, United Arab Emirates, India, etc. This tax treaty network is a significant benefit and many investors have set up Hong Kong based companies to do business in these countries so that they will be protected from double taxation on the same income.

A typical example is using a Hong Kong company as a holding company to invest in a Mainland Chinese subsidiary. By leveraging the Double Taxation Agreement between Hong Kong and Mainland China for avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income, the withholding tax imposed on dividend distributed by the Mainland Chinese subsidiary could potentially be reduced from 10 percent to 5 percent if certain conditions are met.



Hong Kong's two tiered tax system reduces tax burden for businesses:

Profits under HK\$2M... **8.25%**

Profits above HK\$2M... **16.5%**

Hong Kong has no...

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

Hong Kong has signed...

Comprehensive Double Taxation Agreements (CDTAs) with 45 jurisdictions;

and is in...

Negotiations with 12 other jurisdictions.

Other Benefits of Hong Kong's Tax System

Hong Kong also offers various tax incentives to encourage investors to develop more business functions in Hong Kong. For instance, companies may be entitled to 200-300 percent tax deduction of their qualified Research and Development (R&D) expenditure spent if relevant conditions are met.



Figure 3 Corporate Taxation Across Asia



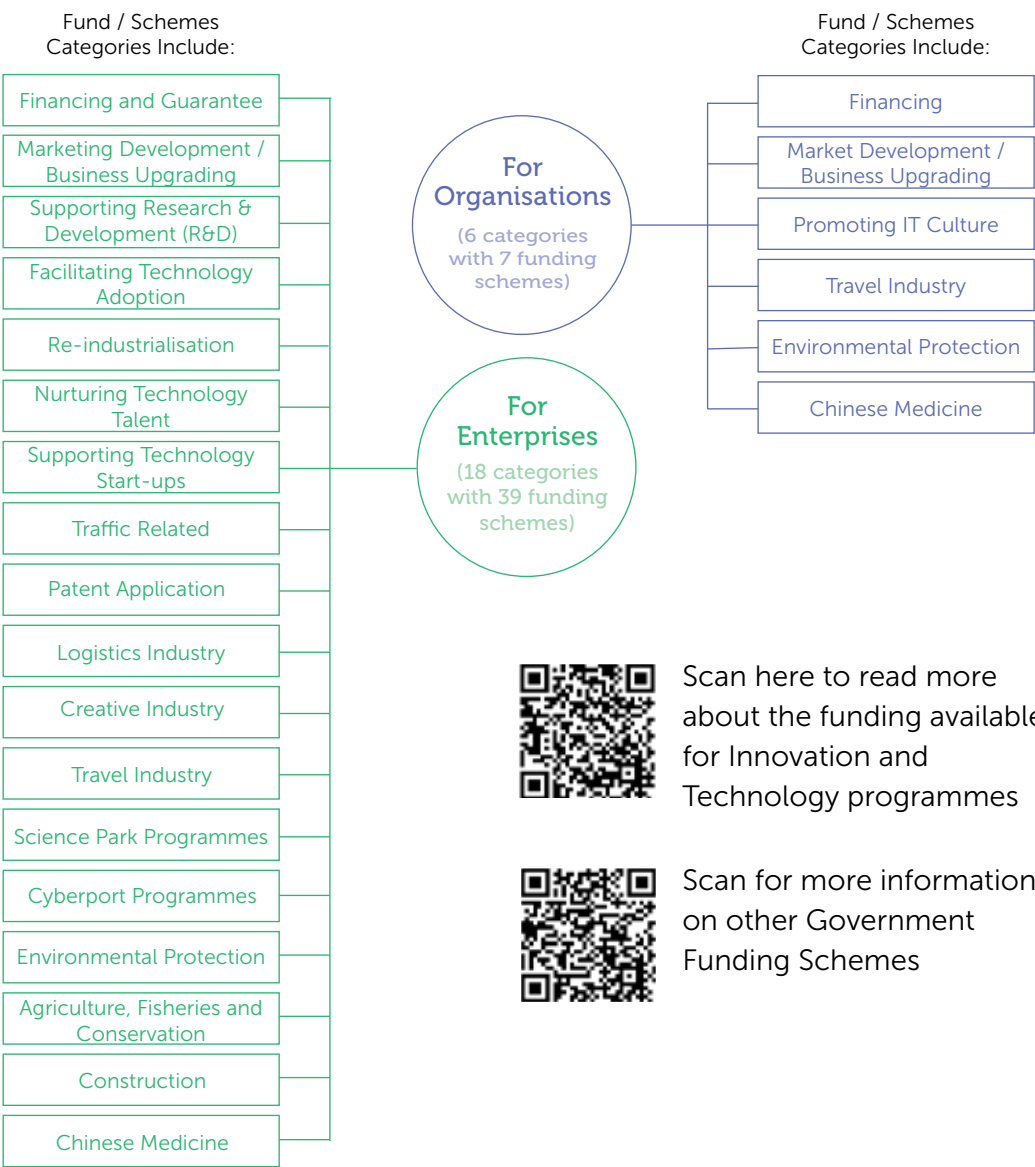
Source: PwC Worldwide Tax Summaries

Government Funding Programmes and Support

The Hong Kong Government has over 40 funding schemes for enterprises and seven for organisations of which all cater to businesses from a wide range of industries. Companies can receive funding for a wide range of business initiatives such as: branding, promoting sales, technological services/solutions to improve productivity, acquiring business installations and more.

Figure 4 Hong Kong Government Funding Programmes are Available for Many Categories¹⁸

Total: 46 Funding Schemes



Scan here to read more about the funding available for Innovation and Technology programmes



Scan for more information on other Government Funding Schemes

¹⁸ HKSAR Trade and Industry Department, 2021

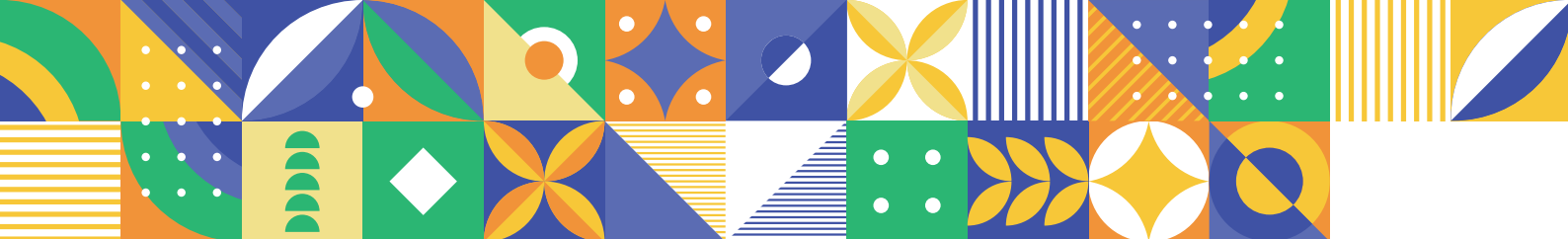


Figure 5 Popular Financial Support and Funding Programmes in Hong Kong

<p>Enterprise Support Scheme (ESS)</p> <p>Encourage private sector investment in Research & Development (R&D)</p> <p>Funding amount up to HK\$10 million per project</p> 	<p>Technology Voucher Programme (TVP)</p> <p>Improve productivity by using technological services and solutions</p> <p>Cumulative funding amount up to HK\$600,000</p> 	<p>The SME Export Marketing Fund (EMF)</p> <p>Enable enterprises to expand globally (via trade exhibitions, supporting website set up, mobile apps and export promotion activities)</p> <p>Cumulative funding ceiling of HK\$800,000 per company</p> 
<p>Dedicated Fund on Branding, Upgrading and Domestic sales (BUD)</p> <p>Enhance company's competitiveness in the markets of Mainland / regions signed Free Trade Agreement*</p> <p>Cumulative funding amount up to HK\$6 million</p> 	<p>Cyberport Incubation Programme</p> <p>Supports entrepreneurs and start-ups with resources that aim to accelerate their growth</p> <p>Incubatees get up to HK\$500,000 support over 24 months</p> 	<p>CreateSmart Initiative (CSI)</p> <p>Fund projects conducive to the development of creative industries in Hong Kong</p> 

* BUD: The geographic scope under the BUD Fund to include all economies with which Hong Kong has signed Free Trade Agreement and/or Promotion and Protection Agreement

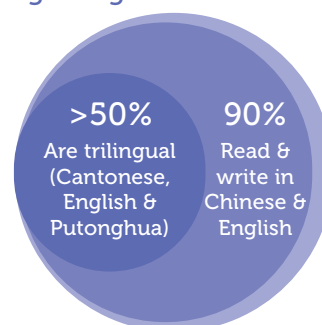




Digitally Enabled and Multi-Cultural Talent Pool

In 2020, Hong Kong was ranked second globally in talent readiness¹⁹, a testament to the wealth of talent in the city, equipped with the skills and knowledge required for modern business. To supplement the local talent, there is a strong international business community that further supports business development in the city - there are 30 foreign Chambers of Commerce that operate in Hong Kong.²⁰

Languages used by professionals in Hong Kong.²¹



Ranked **2nd** globally in talent readiness¹⁹

30 Foreign Chambers of Commerce²⁰

¹⁹ Institute for Management Development World Talent Ranking, 2020

²⁰ Brand Hong Kong

²¹ Hong Kong Population Census, 2016

Government Investment in Cultivating Talents



Total government expenditure on education in 2021-2022 is **HK\$111 Billion** making up over **15% of total government expenditure**²²

Hong Kong Universities Rank Among the Top 25 in Asia²³:

4th	The University of Hong Kong (HKU)
8th	The Hong Kong University of Science and Technology (HKUST)
13th	The Chinese University of Hong Kong (CUHK)
18th	City University of Hong Kong (CityU)
25th	The Hong Kong Polytechnic University (PolyU)

Research Talent Hub:

Hong Kong aims to encourage university graduates to pursue careers in the I&T field and nurture more I&T talents. To do so, they provide funding support for eligible companies and organisations to engage two researchers and two postdoctoral talents respectively to conduct R&D work. As of March 2021, 7,218 projects have been approved with over HK\$2.6 billion granted.²⁴

Technology Talent Admission Scheme (TechTAS):

Hong Kong aims to encourage global technology talent to undertake R&D work in Hong Kong by offering fast-track admissions. Successful companies will be given quotas for bringing in these talents to undertake R&D across the 13 technology areas including artificial intelligence, cyber security, robotics, data analytics, digital entertainment, 5G communications, etc.



Scan here to learn more about the talent in Hong Kong.

²² Hong Kong Education Bureau

²³ World University Rankings 2022, Top Asian Universities

²⁴ Hong Kong Innovation and Technology Commission

Tried and Trusted Legal System Providing a Safe, Secure and Familiar Business Environment

As new opportunities arise from digitisation and Mainland China's growth policies, the global economy is shifting towards Asia. Corporations from all over the globe come to Hong Kong as a platform for their deal making process and a place to invest in (and invest through).

Hong Kong is a Special Administrative Region (SAR)

Hong Kong has the legal status as an SAR and enjoys a high degree of autonomy under the principle of "one country, two systems". To implement this, the Basic Law is enacted by the National People's Congress of the People's Republic of China (PRC) in accordance the Constitution of the PRC. The city's well-established, world-class legal system is renowned for being transparent, trustworthy and fair, underpinning Hong Kong's reputation as one of the safest cities in the world.



I believe Hong Kong offers unrivalled opportunities as a base for growth due to its logistic infrastructure, relatively simple tax regime, and its legal system. Hong Kong is the perfect launching pad for businesses wanting to expand globally or regionally, particularly as a gateway to China.

David Tiang

FOUNDING PARTNER, TIANG & CO.
(ASSOCIATED WITH PwC LEGAL INTERNATIONAL PTE LTD)





Hong Kong's Legal System Reflects Current Business Environment

In Hong Kong, as a common law jurisdiction, the Court may consider case law development in other common law jurisdictions in order to reach judgments. This system is especially useful to keep Hong Kong up to date with global legal changes, especially in today's digital age where many new ideas emerge. This tried and trusted legal system provides robust protection of private property rights (including intellectual property rights) and is a cornerstone of Hong Kong's success as a business and financial hub.

Hong Kong is an International Arbitration Centre for APAC

Disputes are an inevitable aspect of transactions and are preferably dealt with where the transactions took place for reasons of costs, efficiency and understanding of the culture. Mediation and arbitration are commonly used to settle disputes, and both are widely practiced in Hong Kong. In 2021, Hong Kong was ranked in the top three of preferred seats worldwide for international arbitration.²⁵

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The Hong Kong International Arbitration Centre (HKIAC) has been consistently ranked first for location, value for money, helpfulness of staff and IT services.²⁶ As for mediation, Hong Kong has the Mediation Ordinance and is the first Asian jurisdiction to enact the Apology Ordinance which enables amicable dispute resolution and dispute avoidance.

Other world class arbitration organisations in Hong Kong include: The International Court of Arbitration of the International Chamber of Commerce, China International Economic and Trade Arbitration Commission, China Maritime Arbitration Commission, Permanent Court of Arbitration, The Hong Kong Maritime Arbitration Group and eBRAM International Online Dispute Resolution Centre. The strength of Hong Kong's legal system makes international licensing, dispute resolution and arbitration easy for businesses to resolve, and makes doing business in Hong Kong simple.

²⁵ Queen Mary University London's International Arbitration Survey, 2021

²⁶ Global Arbitration Review's Hearing Centres Surveys, 2013 to 2020

Largest
concentration
of financial
institutions²⁷ in
the world

77 of the
world's top
100 banks
operate here²⁸

29
multinational
banks use
Hong Kong as
their RHQ²⁸

Leading Global Financial Centre

Hong Kong is a leading global financial centre with liquid capital markets, a fully convertible currency (the Hong Kong Dollar) and has free flow of goods, information and capital.

The robust financial regulatory system is vital for business stability and Hong Kong is consistently ranked as a world leader in stock market capitalisation, Initial Public Offering (IPO) fundraising, asset management, banking and insurance.

The city has the largest concentration of financial institutions²⁷ in the world; 77 of the world's top 100 banks operate here and 29 multinational banks use Hong Kong as their RHQ.²⁸ The sophisticated and mature banking system makes funding opportunities readily accessible for businesses and investors. In fact, global Foreign Direct Investment (FDI) inflows to Hong Kong was US\$119.2 billion in 2020, the third highest in the world.

Figure 6 Mainland China Technology and Digital companies undertook IPO in Hong Kong

Company	Sub sector	Market cap as of Q2 2021 (HK\$ billion)	Amount of funds raised during IPO (HK\$ billion)
Tencent	Social and entertainment	5,660	1
Meituan	O2O Delivery service	1,810	33
Alibaba	eCommerce platform	4,410	13
Yeahka	Payment	22	0.24
JD	eCommerce platform	109	5
BaoZun	eCommerce operator (TP)	44	0.49
NetEase	eCommerce and entertainment	552	3
Kuaishou	Social and entertainment	801	41
JD logistics	Logistics (spin off)	249	24

Source: PwC Analysis

²⁷ City University of Hong Kong Research Guides

²⁸ Hong Kong Monetary Authority



Top IPO Hub for Businesses

For companies looking to go public, Hong Kong Exchange (HKEX) was the 2nd largest IPO market of 2020 and has been ranked first for 7 of the past 12 years. In 2020, 154 businesses²⁹ went public in Hong Kong, including technology juggernaut JD following a long line of industry giants such as Tencent and Alibaba who all listed in Hong Kong.

Rise of Digital Wallets and mCommerce

Following credit cards, digital wallets are the 2nd most popular payment option in Hong Kong at 25 percent.



It is expanding at a compounded annual growth rate of 32% and is expected to outpace credit card transaction in 2021.³⁰

The city has a high smartphone uptake at 76 percent and 91 percent internet penetration. mCommerce is projected to grow by Compounded Annual Growth Rate (CAGR) of 13.2 percent between 2019 and 2023, by which point it will be a projected HK\$27.3 billion market.³⁰

2nd
in Asia to
introduce
virtual banks

8
Virtual Banks
authorised by
HKMA*

The use of mobile/digital wallets is on the rise, nearly 70 percent of face-to-face transactions are contactless in HK. China's Alipay and Unionpay now also allow for card integration with key brands easily facilitating cross-border eCommerce.

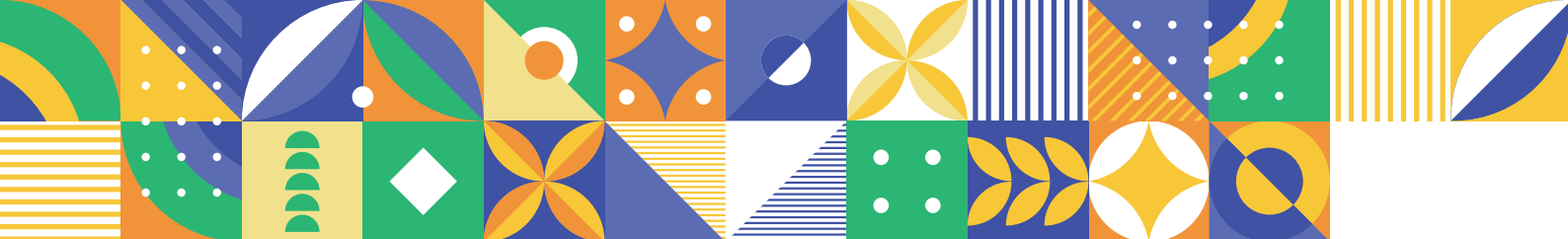
Virtual Banks Support Hong Kong Entering the Smart Banking Era

Virtual banks offer a new, seamless, and fast-paced Customer Experience and Hong Kong has eight virtual banks currently approved by the Hong Kong Monetary Authority. The establishment of these banks is a huge milestone that is driving fintech innovation and revolutionising the retail banking experience in Hong Kong.

²⁹ Hong Kong Exchanges and Clearing

³⁰ J.P. Morgan, 2020

* Hong Kong Monetary Authority



Supportive Government Committed to Innovation and Technology

Hong Kong is a Global Innovation Leader, ranking 11th out of 129 economies in the 2020 Global Innovation Index's infrastructure ranking.³¹ This leading position is a result of strong support from the government who recognise the importance of continuous development of Innovation and Technology (I&T).

Hong Kong has many organisations committed to I&T excellence such as:

- **Hong Kong Productivity Council:** An expert in facilitating Hong Kong's reindustrialisation empowered by i4.0 and e4.0 focusing on R&D, IoT, big data analytics, AI & Robotic technology development, digital manufacturing and more
- **Hong Kong Science & Technology Parks:** Business incubator for technology and innovation that is connecting key stakeholders, nurturing technology talents, facilitating collaboration and catalysing innovations to deliver social and economic benefits to Hong Kong and the region.
- **Hong Kong R&D Centre Programme:** A setup of five R&D centres to drive and coordinate applied R&D in selected focus areas and to promote commercialisation of R&D results and technology transfer
- **Cyberport:** A creative digital community with over 1,600 startups and companies, including a cluster of technology and digital content tenants.



Hong Kong is developing a robust I&T ecosystem comprising public sector, private sector and academics, aiming to leverage complementary capabilities in Shenzhen and GBA to maximize synergies and development opportunities.

Albert Wong

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³¹ Global Innovation Index, 2020

Hong Kong has also developed the HK-Shenzhen Innovation & Technology Park (HSITP) in the Lok Ma Chau Loop, that will give Hong Kong's I&T ecosystem the space to grow, as well as the proximity to tap the supply chain, manufacturing and talent pool of the GBA. HSITP will leverage the competitive advantages of both Hong Kong and Shenzhen to accelerate companies' access to the mainland. These benefits will attract R&D expertise from around the world, and contribute towards Hong Kong's status as a leading innovation hub.

Furthermore, Hong Kong is a strategic platform that bridges the Mainland Chinese and global technology developments. Hong Kong can help companies inside GBA grow their outbound business, as well as grow inbound business for companies in Mainland China.

Figure 7 Hong Kong as a Strategic Platform

Hong Kong is a strategic platform bridging the Mainland and global technology development.



Enjoyable Lifestyle



Hong Kong is not only an enticing business destination, but also a city steeped in rich history, a unique fusion of cultures, and a fascinating mixture of urban and rural landscape. Hong Kong is a city that is proudly global, and international cultures permeate all aspects of life in Hong Kong, making it easy for talent from across the world to adapt to the city. Whether it's the arts, shopping, fine dining or outdoor exploration, Hong Kong offers an abundance of choice and is a destination welcome to all.

1 Abundance of Nature

Hong Kong is more than an iconic metropolis known for its mesmerising skyline, it is also a destination filled with natural wonders. With 60 percent of land area in Hong Kong occupied by beautiful natural landscape, there are over 120 official hiking, country and family trails for visitors and residents alike to immerse themselves in.



2 Asia's Home for the Arts

Hong Kong is Asia's art capital and has become home to numerous high-profile art galleries and art fairs, most notably Art Basel Hong Kong – the largest art fair in the region and one of the most important art fairs internationally. Newcomers can also learn about Hong Kong's captivating history of paintings, pottery, and antiques across the city's various art districts.

3 Historic City for Modern Times

Hong Kong continues to place great importance on preserving its unique culture, repurposing historical architecture into contemporary lifestyle destinations. Tai Kwun, Police Married Quarters (PMQ) and Central Market are some of many sites recently given new life, transforming beautiful history into thriving centres for fashion, food and culture.

4 Dining and Shopping Mecca

Hong Kong is a foodies' and shoppers' paradise, and for good reason. The city is one of the most restaurant-dense locations in the world and boasts an extremely diverse selection of cuisines and dining experiences, from local Cantonese eateries to 69 Michelin Star restaurants. With regards to Hong Kong's famed shopping, the city offers an incredibly varied and dense retail scene of street markets and world class shopping malls.



5 Quick and Transparent Visa Process

For visa sponsors who have been admitted into Hong Kong to take up employment or establish business, their spouses, same-sex civil partners, children and parents above 60 are all eligible to join residence in Hong Kong. This policy helps transition into Hong Kong and helps families adapt faster.

6 Asia In the Palm of Your Hands

Residents in Hong Kong are never short of opportunities to travel elsewhere. Hong Kong's central location in Asia facilitates not only business, but also leisure travel. Hong Kong International Airport is a world-class airport and has been awarded with several "World's Best Airport" awards, providing flights to over 200 destinations worldwide.

7 Trustworthy & Efficient Healthcare

Quality healthcare is important, and with COVID-19, access to efficient healthcare has become more vital than ever. Fortunately, Hong Kong has a world class healthcare system, ranked the 2nd most efficient in the world³² with excellent private and public healthcare.

³² The Bloomberg Health-Efficiency Index, 2020



8 Personal Security

Residents and visitors can be reassured by Hong Kong's low crime rate and law-abiding community, when going about their daily routine and activities. In 2021, Hong Kong was ranked the 8th safest city in the world by The Economist's Safe Cities Index³³, ranking 1st in terms of infrastructure and 3rd in terms of health care.

9 Quality Education & Child Care

Hong Kong is home to a host of high quality schools, providing a variety of national and international curricula at both primary and secondary levels. With over 70 schools following international programmes, it is one of the best places in the world for access to international education.

10 Simple Tax System

Residents of Hong Kong enjoy one of the most tax-friendly systems in the world, with no sales tax; no value added tax (VAT); no tax on capital gains; no withholding tax on dividends; and salaries tax capped at a standard rate of 15 percent.

³³ The Economic Intelligence Unit, Global Safe Cities Index, 2021

About Invest Hong Kong

Invest Hong Kong (InvestHK) is the Hong Kong Special Administrative Region (HKSAR) Government Department responsible for Foreign Direct Investment. Its mission is to promote and strengthen Hong Kong as Asia's leading international business and financial centre by attracting economically and strategically important overseas and Mainland companies to invest in Hong Kong.

InvestHK has industry specialists in a range of priority sectors including: Business & Professional Services, Consumer Products, Creative Industries, Financial Services, Financial Technology, Innovation & Technology, Tourism & Hospitality, and Transport, Infrastructure and Advanced Manufacturing (it has set up an aftercare team to follow up clients' needs after setting up or business expansion). The Department also has an overseas network of staff and representatives based in 31 key business cities worldwide covering its target markets. Overall, the Department's staff based in Hong Kong and overseas work seamlessly to support the set up and expansion of clients' businesses in Hong Kong.

www.investhk.gov.hk

InvestHK partners with clients on a long-term basis and is available to help at any stage of their business development in Hong Kong. The Department's free, customised and confidential services include the following:

Planning: Provide the latest information on the Hong Kong business environment including sector-specific advice and business opportunities, cost-of-business models, business incorporation procedures and the latest regulations and legislation, and arrangement of visit programmes.

Set up: Facilitate the set up of a client's business by making introductions to business service providers, liaison with relevant government departments, advice on finding the right business location and help with settling into Hong Kong.

Launch: Help with generating free publicity to support the launch or expansion of a client's Hong Kong business.

Expansion: Ongoing help to support the development of a client's Hong Kong business such as business networking opportunities, business matching services and advice on research and development grants and other government funding schemes.

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