



**DOING BUSINESS IN HONG KONG AND IN CHINA
ROME
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INTRODUCTION

Hong Kong: The Facts

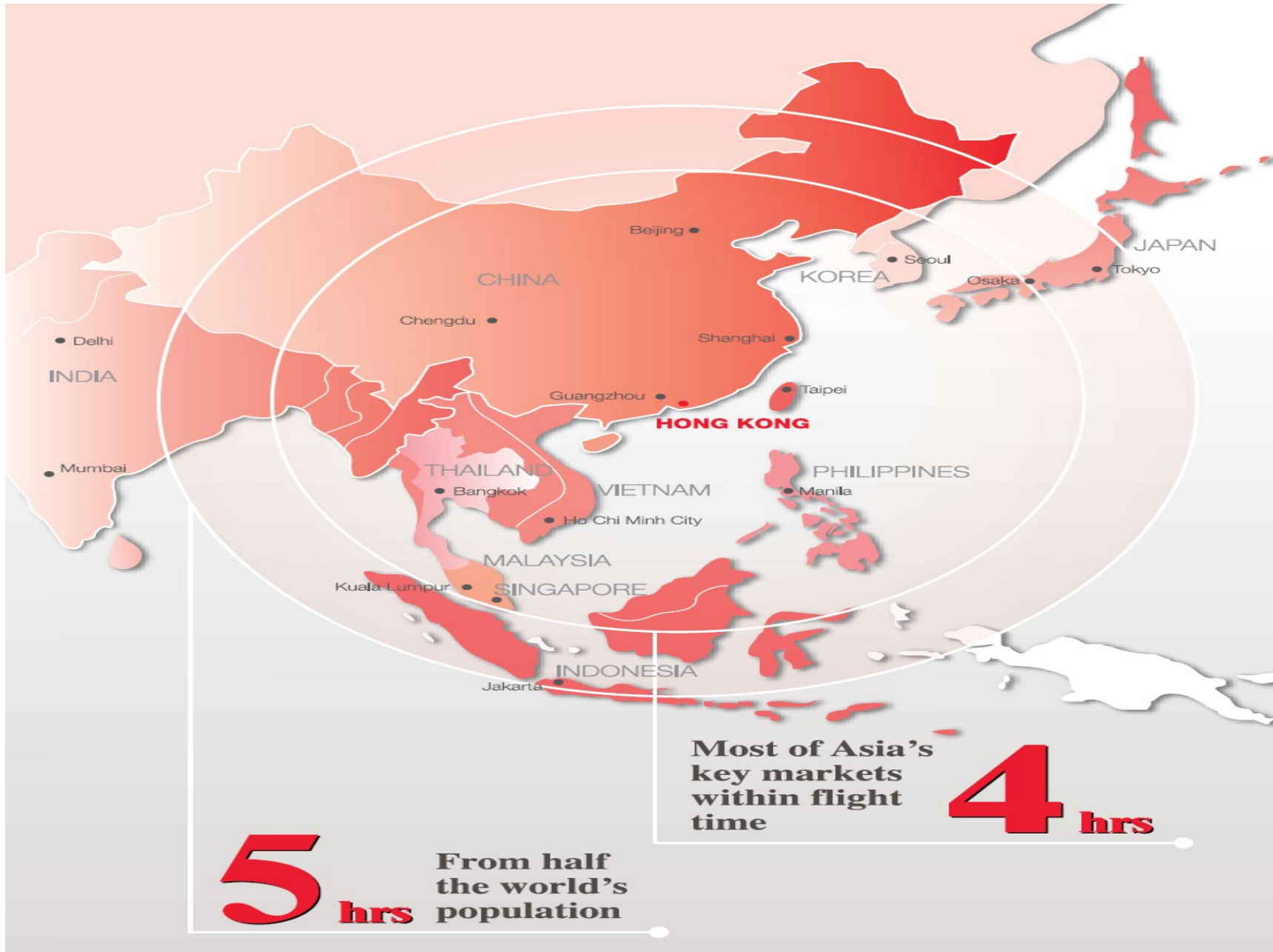
Located in South East China on the mouth of the Pearl River Delta (“PRD”)

Area and Population: 1,100 sqkm (425 sq miles)

Population:

- Hong Kong Island – 1.3 million
- Kowloon Peninsula – 2 million
- New Territories and Outlying Islands – 3.6 million

Total: 7 million





Ping Chau

Shenzhen

Sha Tau Kok

TravelChinaGuide.com

Fanling

Mai Po

San Tin

Shuen Wan

Tai Po

Tin Shui Wai

Yuen Long

New Territories

Shatin

Sai Kung

Kau Sai Chau

Tuen Mun

Tsuen Wan

Kowloon Tong

Kowloon

Mong Kok

Kowloon City

Hang Hau Town

TravelChinaGuide.com

Ma Wan

Tsing Yi

Yau Ma Tei

Tsim Sha Tsui

North Point

Clear Water Bay

TravelChinaGuide.com

Discovery Bay

Central

Wan Chai

Chai Wan

Hong Kong International Airport

Peng Chau

Ap Lei Chau

Stanley

Shek O

Lantau Island

TravelChinaGuide.com

Lamma Island

Po Toi Island

Tong Fuk

Cheung Chau

Tai O

Greater Pearl River Delta



**GPRD nominal
GDP:**

US\$**665** billion

**GPRD real GDP
growth:**

10,6% per year
from 1990 to 2008.

*The GPRD would rank **18th** according to the World Bank's 2008 ranking of countries by GDP, ahead of Poland, Indonesia, Belgium, Sweden, Switzerland and Saudi Arabia.*

Greater Pearl River Delta

GPRD land area size: **55,890 sq km**

Smaller than:

Austria

Panama

Ireland

West Virginia state in the US.

GPRD population: **55.26mn people**

More populous than:

Spain

South Korea

Canada

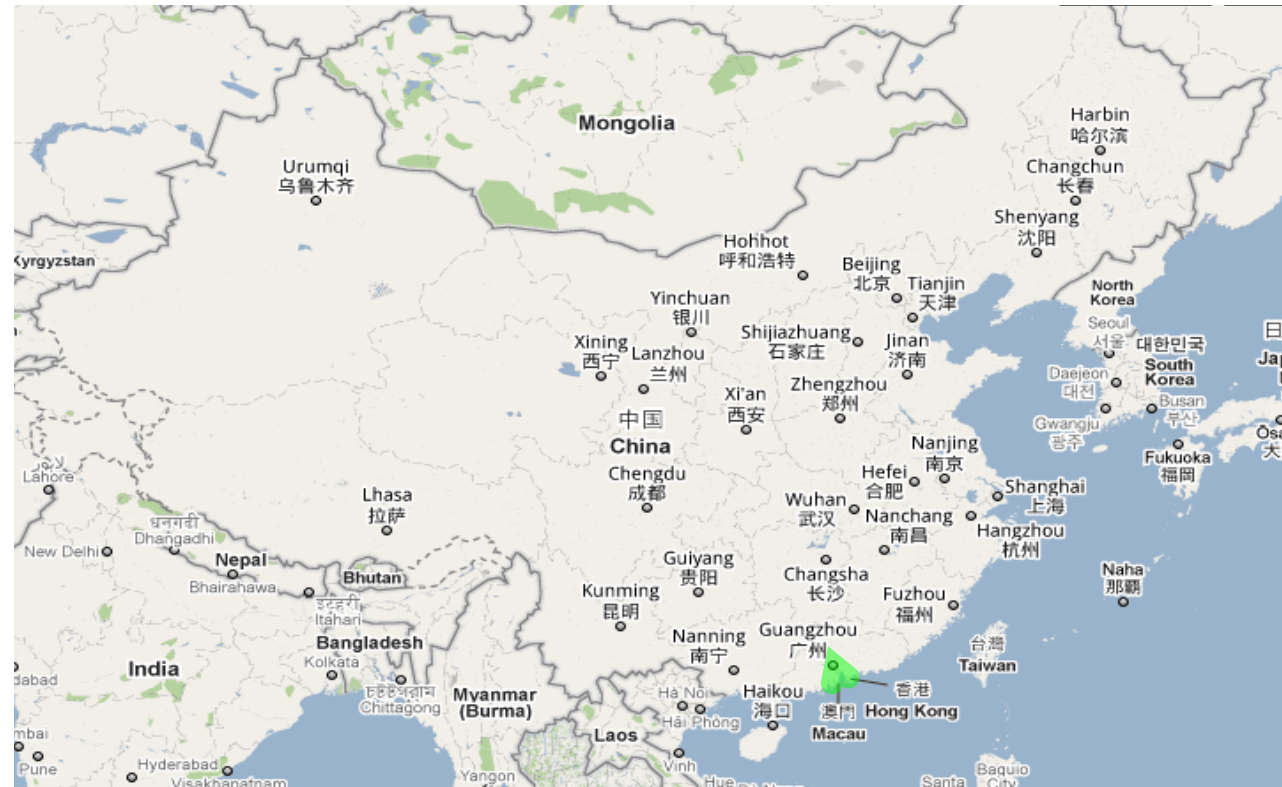
California and New York states combined in the US.

**Less than 1% of
China's land area**

**More than 27% of all
the country's exports**

**GPRD exports:
US\$387 billion**

*It would rank 7th in terms
of exports if it was a
country, ahead of Italy,
South Korea, United
Kingdom and Canada.*



CX MAINLAND PRC

Area: 9.6 million sq km (3.7 million sq miles)

Population: 1.35 billion (1,350,000,000)

History: British Crown Colony from 1842 – 1997

Sino-British Agreement on the future of
Hong Kong - 1984

Transfer of Sovereignty from Britain to
PRC –30th June 1997

HONG KONG GOVERNMENT

Hong Kong in China is a Special Administrative Region
“One Country – Two Systems”

Hong Kong has a high degree of autonomy guaranteed for
at least 50 years after the 30th June 1997

Hong Kong Government

- (i) Chief Executive
- (ii) Exco
- (iii) Legco

Constitution: The Basic Law incorporating all existing
legislation put in place under British Rule

THE LEGAL SYSTEM

Hong Kong's legal system completely independent of the legal system of PRC. Hong Kong follows English Common Law tradition.
China Civil Law

Hong Kong Judiciary completely independent from the Executive arm of Government

Court system similar to English system with Court of Final Appeal now in Hong Kong

6,500 Practising Solicitors and 1,000 Barristers

BUSINESS ENVIRONMENT IN HONG KONG

Capitalist pro-business government – minimal interference; free market principles; operating under the rule of law and independent legal system

Official language is English and Chinese

No restriction on foreign investment

Free movement of capital – no currency exchange control

Hong Kong Dollar pegged to US Dollar, fully convertible

TAXATION

Hong Kong is an independent tax and customs and excise jurisdiction

Direct taxes:

(i) Profits Tax (applicable to limited liability companies)

Maximum Rate: 16.5% of profits generated in the territory of Hong Kong

Nil Profits Tax on Hong Kong companies in respect of profits generated offshore

TAXATION

(ii) Salaries Tax

Maximum rate of Salaries Tax in Hong Kong is 15%

(iii) Property Tax (on income from investment properties)

15% of annual value (rental income)

“NIL” TAXATION

- (i) No withholding tax on dividends
- (ii) No capital gains tax
- (iii) No sales tax (VAT OR TVA)
- (iv) No wealth tax
- (v) No estate duty or death duties

DOUBLE TAX TREATIES

Double taxation relief agreements in Europe with UK, Austria, Belgium, France, Ireland, Luxembourg and the Netherlands

Negotiating treaties with Czech Republic, Denmark, Hungary, Italy, Spain and Switzerland

ESTABLISHING A BUSINESS PRESENCE IN THE PRC

1. Form PRC Legal Entity

- (i) Foreign Representative Office; permitted activities limited to conducting non-direct business
- (ii) Wholly Foreign Owned Enterprise (“WFOE”)
- (iii) Equity Joint Venture (“EJV”) (used if you are entering into a joint venture with a local Chinese partner and sharing the equity)
- (iv) The Co-operative or Contractual Joint Venture (“CJV”) (a joint venture with a local Chinese partner in which voting and distribution of profits are not based on the sharing of equity, but are stipulated in a contractual document)

ESTABLISHING A BUSINESS PRESENCE IN THE PRC

2. Points to remember

- (i) The law relating to Foreign Invested Enterprises (“FIEs”) has been developing over only the last 30 years
- (ii) The officials in MOFCOM and SAIC and other bureaux are learning, are meticulous on detail and patience is a necessity
- (iii) Legislation may be interpreted differently in different cities and provinces
- (iv) Understand and respect the Chinese culture and the 40 “Traditional Values”

THANK YOU FOR YOUR ATTENTION