



Overview

A powerful combination of factors – prime location, high-speed communications, the free flow of information, unrestricted capital flows and the world's freest economy – has made Hong Kong a leading international financial and business centre.

Hong Kong was again voted 'Best Business City in the World' and 'Best Business City in Northeast Asia' in the 2010 annual readers' poll organised by the *Business Traveller Asia Pacific* magazine. The 2011 edition of the *World Competitiveness Yearbook*, published by the Lausanne-based International Institute for Management Development, ranked Hong Kong the world's most competitive economy.

Headquarters City

International companies choose Hong Kong as their preferred place in Asia to establish a business or set up offices, bringing in capital and creating abundant high-value-added job opportunities. They introduce new management culture, transfer technology and enhance local creativity. There are more than 6 500 enterprises from overseas and the Mainland, employing some 350 000 people. Of these, more than 3 600 are regional headquarters and offices.

Hong Kong is keen to attract more overseas enterprises, particularly those in industries where Hong Kong enjoys distinct advantages. Various government bodies offer valuable services and support to foreign companies already established in Hong Kong.

Why Hong Kong is Best for Business

- Low tax rates and a simple tax system
- Free flow of information
- Stable and fully convertible currency
- Absence of exchange controls
- Clean, efficient government
- Communication, transport and other infrastructure
- Free port
- Strategic location
- High quality business and professional services
- Rule of law and independent judiciary
- Political stability and security
- Educated, diligent workforce
- High standard of corporate governance
- Strong protection of intellectual property

Invest Hong Kong

Invest Hong Kong offers free advice and tailored services to help businesses from overseas set up and succeed in Hong Kong's vibrant economy. The office has helped over 2,100 enterprises. In 2010, the year of its 10th anniversary, Invest Hong Kong helped a record 284 overseas and Mainland companies establish in Hong Kong. They include 51 from the United States, 36 from the United Kingdom, 19 from Japan and 16 from Australia.

Strong Rebound

The economy achieved a full-fledged upturn in 2010, having swiftly emerged from the global recession triggered by the financial crisis in 2009. Thanks to the strong growth in the Mainland and Asia and various government initiatives, Hong Kong's GDP grew by 6.8 per cent in real terms.

Renminbi Business

In 2004, Hong Kong became the first place outside Mainland China to offer Renminbi (RMB) banking services. In 2007, we established the first offshore RMB bond market.

In November 2010, the Central Government launched another RMB 8 billion (US\$1.2 billion) worth of sovereign bonds, signifying the strengthening cooperation between Mainland China and Hong Kong.

In July 2010, the Central Government significantly expanded its policy to let overseas companies settle trade with the Mainland with RMB. That year, RMB deposits in Hong Kong rose fourfold to over RMB315 billion (US\$48 billion) and Renminbi bonds, with a total value of about RMB36 billion (US\$5.4 billion), were issued in Hong Kong.

Hong Kong has more experience than anywhere else in conducting RMB business. We also have close financial links to Mainland China. This combination makes for a reliable and efficient platform for firms to settle their Mainland trade using the Mainland currency.

In the 'Outline of the 12th Five-Year Plan for the National Economic and Social Development of the People's Republic of China', announced in March 2011, the Central Government endorsed support for Hong Kong's development into an offshore RMB business centre and an international asset management centre. As an international financial hub, Hong Kong will continue to provide a reliable testing ground for RMB liberalising initiatives.

Sound Banking System

Hong Kong is an important international banking and financial centre and China's global financial centre. At end-December 2010 there were 193 authorised institutions and 67 representative offices in the city. Of the world's top 100 banks, 70 operate here. At end-December 2010, total loans provided by authorised institutions to finance international trade, and other loans for use outside Hong Kong, totalled US\$35.1 billion and US\$116.8 billion respectively. According to the Bank for International Settlements, Hong Kong is the world's sixth largest centre for foreign exchange transactions and the third largest in Asia.

Securities and Debt Markets

Hong Kong is one of the most liberal debt markets in the world. The size of the market, measured by the outstanding amount of Hong Kong dollar debt securities, was US\$160 billion as at end December 2010.

Hong Kong's stock market is Asia's third largest and the world's seventh largest in terms of market capitalisation. At the end of December 2010, it had 1 413 listed companies with a combined market capitalisation of US\$2.7 trillion.

Some 592 Mainland enterprises were listed on the stock exchange, with a total market capitalisation of over US\$1.6 trillion, or 57 per cent of the market total.

Initial Public Offerings

For the second year in a row, we led the world, raising in 2010 more than US\$58 billion in initial public offerings. New listings included firms from France, Russia, Brazil and Mongolia and two giant insurers from the UK and the US.

The World's Freest Economy

Since 1995, the US-based Heritage Foundation has ranked Hong Kong the world's freest economy in its annual Index of Economic Freedom. A similar study by the US-based Cato Institute in conjunction with Canada's Fraser Institute has also judged Hong Kong to have the highest level of economic freedom in the world since 1970.

Insurance Industry

Hong Kong's insurance market, with a large number of international insurance companies, is one of the world's most liberal. There are also opportunities for insurers based in Hong Kong to expand to the Mainland, taking advantage of the Closer Economic Partnership Arrangement (CEPA), a free trade agreement Hong Kong signed with the Mainland.

In 2010, 80 of 168 authorised insurers were from outside Hong Kong, and 12 of the world's top 20 insurers conducted business in the city. According to provisional statistics, gross premium income reached US\$26.6 billion in 2010, the equivalent of 11.9 per cent of Hong Kong's GDP.

In 2010, total revenue premiums of long-term in-force business amounted to US\$22.5 billion. In the general insurance business, gross premiums recorded a growth of 9.8 per cent to US\$4 billion compared to 2009.

Asset Management

Hong Kong is one of Asia's leading asset management centres. The city's combined fund management business amounted to US\$1,091 billion at end-2009, an increase of 45.4 per cent over the previous year. Around 64 per cent of this amount was sourced from non-Hong Kong investors, testifying to the city's draw for foreign investment capital. At end-December 2010, there were 89 approved fund management groups managing 1 937 unit trusts and mutual funds

Investment

Foreign direct investment continues to flow into Hong Kong. The United Nations Conference on Trade and Development (UNCTAD) World Investment Report 2010 ranked Hong Kong second in Asia (after the Mainland) with foreign direct investment (FDI) inflows of almost US\$48.5 billion.

Hong Kong is also a major external investor, with outflows of US\$58.3 billion in 2009.

Economic Indicators 2010

GDP: US\$225 billion

Real GDP growth: 6.8%

Total merchandise trade: US\$823 billion

Merchandise trade growth: 23.9%

Headline Consumer Price Inflation: 2.4%

In December 2010, Standard & Poor upped Hong Kong's long-term foreign currency and local currency ratings to AAA from AA+, giving them a stable outlook.

For more information, please visit www.InvestHK.gov.hk