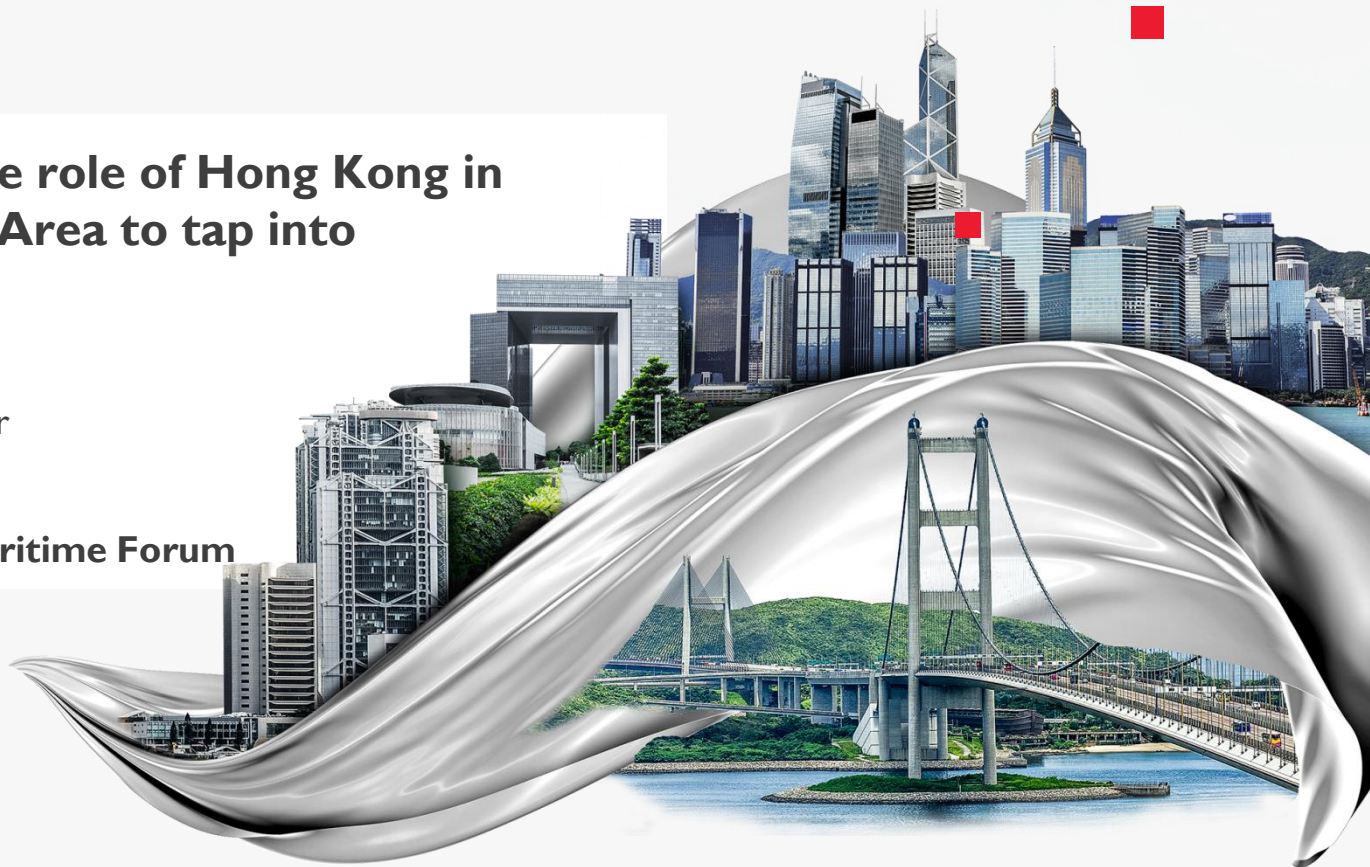


Leveraging on the role of Hong Kong in the Greater Bay Area to tap into Southeast Asia

Benjamin Wong
Head of Maritime Cluster

May 14, 2019 Tokyo
Capital Link Japan Maritime Forum





GREATER BAY AREA ■

POPULATION

71mn

>UK, Italy, South Africa

LAND AREA

56,000km²

<Ireland, Latvia, Panama, West Virginia (US)

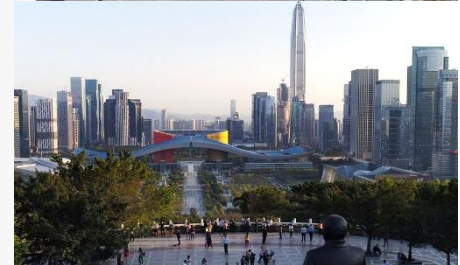
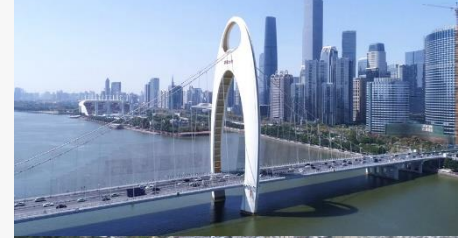
GDP

US\$1.6trillion

>Indonesia, Netherlands, Turkey

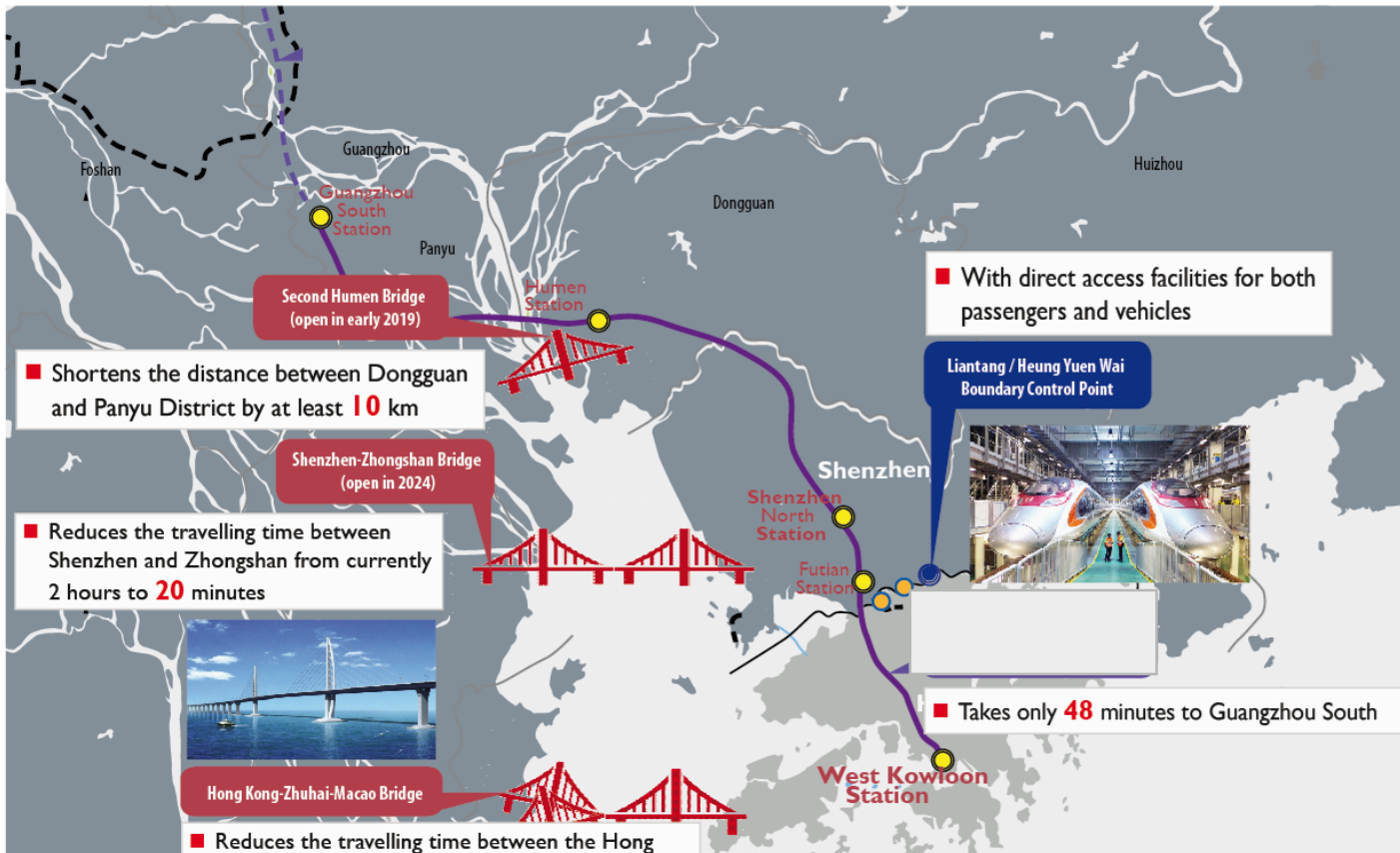
STRATEGIC POSITIONING OF THE GREATER BAY AREA ■

- A vibrant world-class **city cluster**
- A globally influential international **Innovation and Technology (I&T)** hub
- An important support pillar for the **Belt & Road Initiative (BRI)**
- A showcase for **in-depth cooperation** between the Mainland and Hong Kong and Macau
- A quality **living circle** for living, working and travelling



COMPARISON WITH THE WORLD'S MAJOR BAY AREAS ■

| | Guangdong-Hong Kong- Macau Bay Area | San Francisco Bay Area | New York Metropolitan Area | Tokyo Bay Area |
|---|--|---------------------------|-------------------------------|-------------------|
| Land area (sq km) | 56,000 | 17,900 | 21,500 | 36,900 |
| Population (mn) | 71 | 7.6 | 20.2 | 44.0 |
| GDP (US\$ bn) | 1,600 | 781.2 | 1,657.5 | 1,774.2 |
| Real GDP growth (%) | 7.0 | 5.3 | 0.9 | 1.9 |
| GDP share of tertiary industry (%) | 65.6 | 71.9 | 83.3 | 77.0 |
| Per-capita GDP (US\$) | 21,750 | 102,230 | 82,050 | 40,360 |
| Stock Market Capitalisation (USD Trillion) | 7.6 | N.A. | 30.5 | 5.7 |
| No. of World Top 100 Universities | 4 | 2 | 2 | 2 |
| Air freight traffic (mn tonnes) | 7.96 | 1.18 | 2.16 | 3.58 |
| Port container throughput (mn TEUs) | 66.48 | 2.42 | 6.25 | 7.76 |



■ Shortens the distance between Dongguan and Panyu District by at least **10 km**

Second Humen Bridge
(open in early 2019)

Shenzhen-Zhongshan Bridge
(open in 2024)

■ Reduces the travelling time between Shenzhen and Zhongshan from currently 2 hours to **20 minutes**



Hong Kong-Zhuhai-Macao Bridge

■ Reduces the travelling time between the Hong Kong International Airport and Zhuhai from currently 4 hours to about **45 minutes**

■ With direct access facilities for both passengers and vehicles

Liantang / Heung Yuen Wai
Boundary Control Point



■ Takes only **48 minutes** to Guangzhou South



粵港澳大灣區
Greater Bay Area

CONNECTIVITY KEY INFRASTRUCTURE

FOCUSES OF THE 4 CORE CITIES

Coordinated and innovation-driven regional development with more seamless flows of
people, goods, capital and information

- National core city and integrated gateway city
- Enhance functions as international centres for commerce and industry, transport, technology, education, and culture

For the other **7 key node cities**, main objectives are to develop towns with distinct characteristics and to promote **integrated development** of urban and rural areas

- World-class tourism and leisure centre
- Commerce and trade cooperation service platform between China and Lusophone countries



- National economic core city and national innovation city
- Develop as capital of innovation and creativity with global influence

HONG KONG

- International **financial, transportation and trade** centres
- Global **offshore RMB business hub** and international asset and risk management centre
- International **legal and dispute resolution** services centre
- Develop high-end services, **innovation and technology** industries and emerging industries

HONG KONG AMONG GREATER BAY CITIES

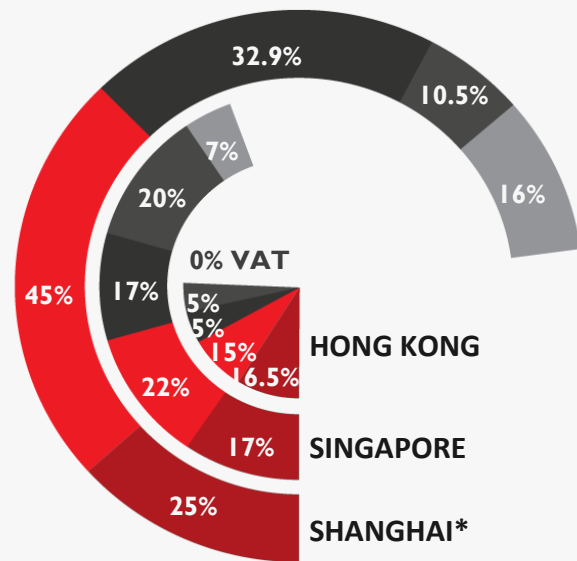
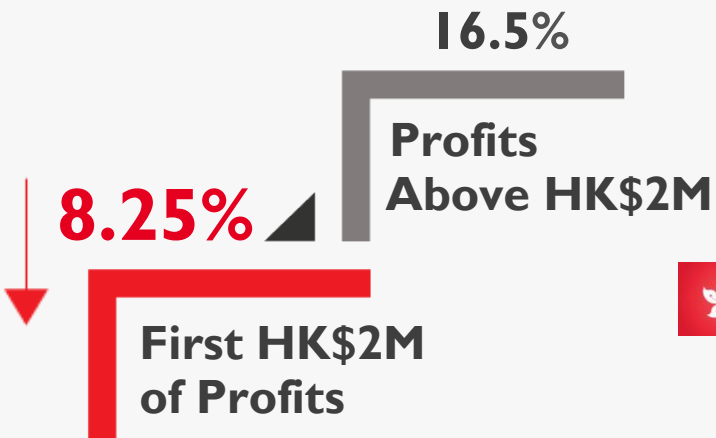
HONG KONG

- No Capital and Exchange Controls
- HKD pegged to USD
- Common Law

| GBA City | Area (sq. km) | GDP (USD billion) | Population (Million) | GDP Per Capita (USD) |
|------------------|---------------|-------------------|----------------------|----------------------|
| Hong Kong | 1,104 | 319.3 | 7.37 | 43,300 |
| Guangzhou | 7,436 | 284.6 | 14.04 | 20,300 |
| Shenzhen | 2,007 | 283.0 | 11.90 | 23,800 |
| Foshan | 3,875 | 125.3 | 7.50 | 16,700 |
| Dongguan | 2,512 | 99.1 | 8.25 | 12,000 |
| Huizhou | 11,159 | 49.5 | 4.78 | 10,400 |
| Zhongshan | 1,770 | 46.4 | 3.23 | 14,400 |
| Macao | 29.2 | 44.7 | 0.64 | 69,800 |
| Jiangmen | 9,554 | 34.8 | 4.54 | 7,700 |
| Zhuhai | 1,696 | 32.3 | 1.68 | 19,200 |
| Zhaoqing | 15,006 | 30.2 | 4.06 | 7,400 |

LOW & SIMPLE TAX SYSTEM

Two-tiered tax system



- Corporate Income
- Personal Income
- Employer Social Security
- Employee Social Security
- VAT

* There is no standard rate across the Mainland China. Shanghai is used as an example.



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



Hong Kong has signed Comprehensive Double Taxation Agreements (CDTAs) with **40** jurisdictions.



Negotiations with **11** jurisdictions are in progress.

(as of May 2018)



PRIME CONDUIT FOR FDI ■



8,754 companies of which **3,955** are regional headquarters (RHQs)
and regional offices (ROs) in 2018

Source: 2018 Annual Survey, HKSAR Government's Census & Statistics Department

| Rank | FDI Inflows (2017) | US\$ bn |
|----------|--------------------|------------|
| 1 | United States | 275 |
| 2 | China | 136 |
| 3 | HONG KONG | 104 |
| 4 | Brazil | 63 |
| 5 | Singapore | 62 |
| 6 | Netherlands | 58 |
| 7 | France | 50 |
| 8 | Australia | 46 |
| 9 | Switzerland | 41 |
| 10 | India | 40 |

Source: World Investment Report 2018, UNCTAD

KEY ROLES OF HONG KONG IN THE GREATER BAY AREA ■



International
Financial
Centre

Transport &
Logistics
Hub

Innovation
&
Technology

Legal Services
Hub



WORLD TOP CAPITAL RAISING DESTINY ■



- **World's No. 3** global financial centre, behind London & New York; **1st in Asia**⁽¹⁾
- **77** of the world's **100 top banks** operate in Hong Kong
- **World's 3rd largest** and **Asia's 2nd largest** stock market by market capitalisation in early Apr 2019 (US\$5.78 trillion)⁽²⁾
- **World's No.1 for IPO funds** raised in full year 2018.⁽³⁾
 - HK ranked No.1 for IPO funds raised in 2009 to 2011, 2015 and 2016.

(1): Global Financial Centers Index (GFCI) published by Z/Yen.

(2): *Hong Kong pips Japan to become world's third-biggest stock market*, Financial Times 10 Apr 2019

(3): KPMG. SCMP

GBA OPPORTUNITIES

SHIP FINANCING & SHIP LEASING ■

HONG KONG ADVANTAGES & OPPORTUNITIES

- International financial centre and world freest economy*
 - In view of the differences in the **regulatory and approval standards** for financial products between the Mainland and Hong Kong, better synergy should be promoted
- World **largest offshore RMB** hub (70% of global)
 - Foreign capital can be introduced thru HK to participate in the PE & VC Funds in GBA
- Premier **financial infrastructure**, effective **financial regulations** and an abundant pool of **financial professionals**
 - To enhance HK as ship financing centre and green finance hub and serve the corporates in GBA



7 of the world's top 10 **bookrunners on syndicated marine finance loans** have set up offices in Hong Kong.



* The Heritage Foundation's economic freedom index

HK-SHENZHEN INNOVATION & TECHNOLOGY PARK IN THE LOOP ■

- Situated at **Lok Ma Chau Loop** (落馬洲河套區), near HK-Shenzhen border
- **87-hectare**, 4 times the size of Hong Kong Science Park
- A key base for **co-operation** between HK and the Mainland in innovation and technology research
- To **attract** top enterprises, research institutions and higher education institutes from the world





TECHNOLOGY & R&D ■

Technology Talent Admission Scheme (TechTAS)

Fast-track arrangement for the admission of
overseas and Mainland R&D talents

Super Tax Deduction for R&D expenditure

- **300% tax deduction** for private enterprises on the first **HK\$2 million** of qualified R&D expenditure
- Remaining enjoys **200% tax deduction**

Policy Address 2018

- Inject HK\$20 billion into the Research Endowment Fund
- Launch a HK\$3 billion Research Matching Grant Scheme



- Hong Kong and the Association of Southeast Asian Nations (ASEAN) signed a Free Trade Agreement (FTA) and a related Investment Agreement (IA) on 12th November 2017
 - The agreements are expected to enter into force within 2019
- Hong Kong also plans to seek accession to the **Regional Comprehensive Economic Partnership** after completion of negotiations between ASEAN and relevant economies.

**SIGNING OF
AHKFTA & AHKIA.**

FREE TRADE AGREEMENT with ASEAN ■



Tariff reduction

Customs duties on goods of
HK origin reduced or even
eliminated

Trade in Goods



Fewer restrictions
on HK service providers, e.g.
lifting the cap on foreign
ownership to

≥50%

in many sectors of
individual ASEAN markets

Trade in Services



Facilitating entry & stay

for business purposes, e.g.
permission for HK business
visitors to stay up to
90 days

in individual ASEAN markets

Entry and Stay of Business Persons



Fair treatment

on HK investments and
enhanced protection against
non-commercial risks

Investment Protection

HOW WE CAN HELP YOU GROW.

Whether you are new to Hong Kong or a long-standing investor



Planning

Information to aid planning
and evaluation

Set-Up

Facilitation of visa
applications, schooling

Launch

Networking events,
introduction to service
providers

Expansion

PR and marketing support
for launch/expansion



GET in TOUCH

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