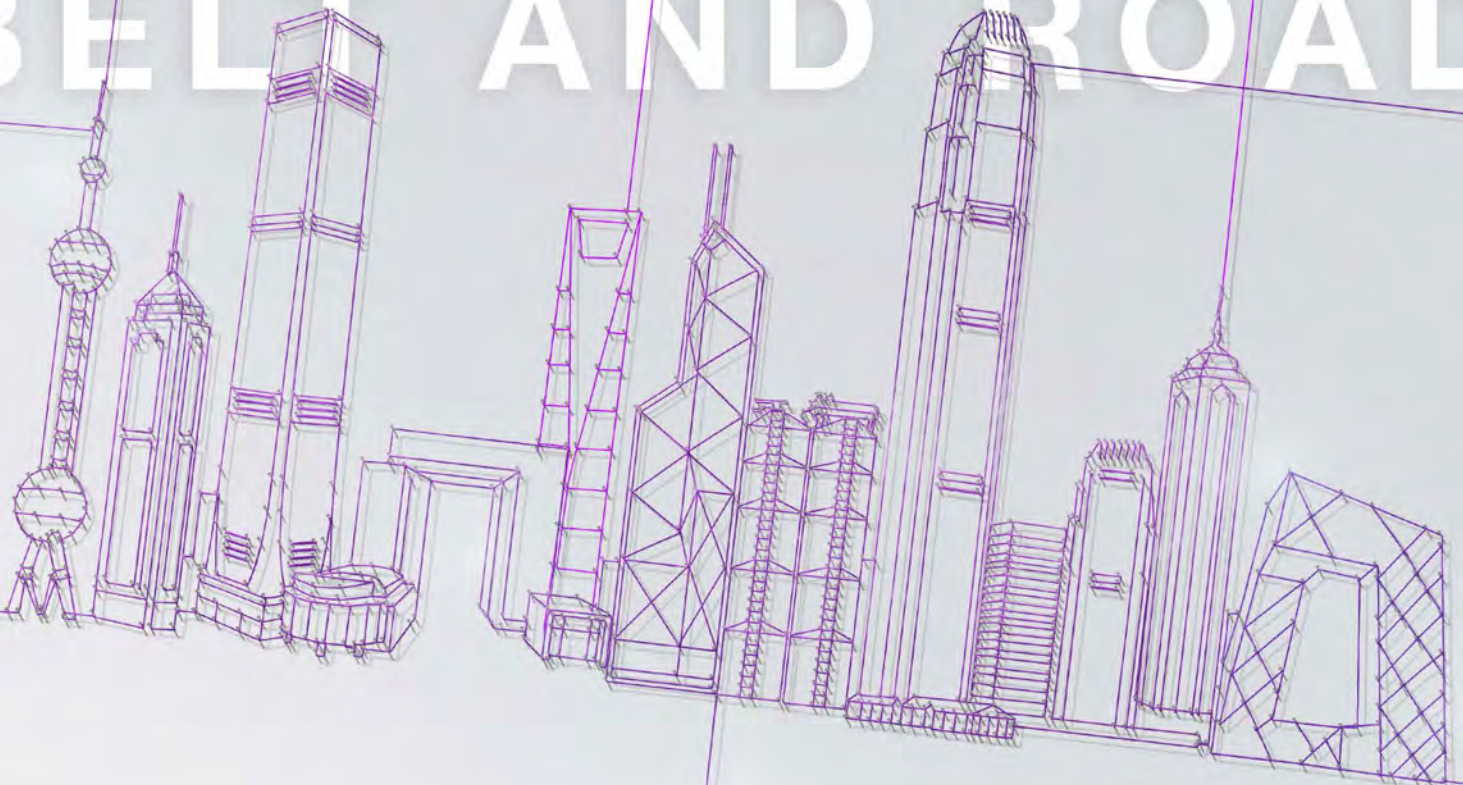




InvestHK

The Government of the Hong Kong
Special Administrative Region

CONNECTING YOU TO THE BELT AND ROAD



A publication by InvestHK
in collaboration with Belt and Road Office

FOREWORD

The Belt and Road Initiative is a far-sighted vision for inclusive international co-operation in the 21st Century unveiled by President Xi Jinping in 2013. It comprises the land-based Silk Road Economic Belt and the ocean-going 21st Century Maritime Silk Road, spanning across countries in different continents.

As the prime platform and a key link for the initiative, Hong Kong's strengths as a highly connected, global financial centre and professional services hub with robust government-to-government, business-to-business and people-to-people links all along the Belt and Road routes from Asia to Europe and beyond will create unprecedented opportunities.

The purpose of this guide is to demonstrate how businesses can use Hong Kong to realise their Belt and Road ambitions. It includes key facts and figures, as well as case studies and useful links.

Invest Hong Kong is a department of the Hong Kong SAR Government. Its role is to help overseas and Mainland investors grow their business in and via Hong Kong. It works with overseas and Mainland entrepreneurs, SMEs and multinationals that wish to set up an office – or expand their existing business – in Hong Kong. It offers free advice and services to support companies from the planning stage right through to the launch and expansion of their business. The teams at Invest Hong Kong stand ready to support businesses at every step of the way.

The Belt and Road Office (BRO), established under the Commerce and Economic Development Bureau, leads and co-ordinates the work of the Government of the SAR to advance Hong Kong's full participation in and contribution to the Belt and Road Initiative.

The BRO has been working in earnest to connect and collaborate with Belt and Road related countries and partners, with a view to enhancing Government-to-Government collaboration, promoting Hong Kong's unique advantages, as well as exploring business opportunities for Hong Kong enterprises and professional services sector.

In conjunction with other relevant bureaux/departments, the BRO co-organises programmes from time to time with the Hong Kong Trade Development Council (HKTDC), chambers of commerce and professional associations, ranging from the organisation of the annual Belt and Road Summit and overseas missions, to business collaboration events and activities.

WHAT IS THE BELT AND ROAD INITIATIVE?

The Silk Road Economic Belt and the 21st Century Maritime Silk Road (the Belt and Road Initiative (BRI)) is an important national development strategy which promotes cooperation among countries and regions in areas of policy coordination, facilities connectivity, unimpeded trade, financial integration and people-to-people bond.





The BRI originated in China, but it belongs to the world. It is rooted in history, but oriented toward the future. It focuses on Asia, Europe and Africa, but is open to all partners. It spans different countries and regions, different stages of development, different historical traditions, different cultures and religions, and different customs and lifestyles. **It is an initiative for peaceful development and economic cooperation.**

The BRI aims to promote the connectivity of Asian, European and African continents and their adjacent seas, establish and strengthen partnerships among the countries along the Belt and Road, set up all-dimensional, multi-tiered and composite connectivity networks, and realize diversified, independent, balanced and sustainable development in these countries. The connectivity projects of the Initiative will help align and coordinate the development strategies of the countries along the Belt and Road,

tap market potential in this region, promote investment and consumption, create demands and job opportunities, enhance people-to-people and cultural exchanges, and mutual learning among the peoples of the relevant countries, and enable them to understand, trust and respect each other and live in harmony, peace and prosperity.

The BRI follows market operation. It will abide by market rules and international norms, give play to the decisive role of the market in resource allocation and the primary role of enterprises, and let the governments perform their due functions.

It also seeks mutual benefit. It accommodates the interests and concerns of all parties involved, and seeks a conjunction of interests and the “biggest common denominator” for cooperation so as to give full play to the wisdom and creativity, strengths and potentials of all parties.



WHY HONG KONG?

Hong Kong's advantages

Under “one country, two systems”, Hong Kong enjoys unique, dual advantages of being part of China, but with its own economic, social and legal systems.

Under a robust common law system, with abundant legal professionals and international expertise, Hong Kong is a leading centre for international legal services and dispute resolution in the Asia-Pacific, with highly regarded arbitration and mediation services.

- Free and open market with free flows of capital, goods and information. Hong Kong is an international financial, trade, maritime and logistics hub.
- A level playing field for all enterprises, foreign and local, and a robust anti-corruption regime.
- World-class infrastructure, transport links, communication networks and business services.
- Deep understanding of the Mainland's culture and business operations, complemented with a global outlook, broad international experience and extensive international networks.

A rich pool of professional expertise in mergers and acquisitions, financing, accounting and taxation, legal services and construction provides ample opportunities for collaboration with Mainland and international enterprises to provide high-quality support for infrastructure developments in the BRI regions.

Hong Kong has signed free trade agreements (FTAs) with 20 economies, including the Association of Southeast Asian Nations, Georgia and Australia.

Hong Kong has signed Investment Promotion and Protection Agreements with 30 foreign economies and concluded negotiations with Bahrain, Maldives, Mexico and Myanmar. Negotiations will start/continue with other economies, including BRI countries.

Hong Kong has signed some 40 Comprehensive Avoidance of Double Taxation Agreements, including with a number of BRI countries.

The annual Belt and Road Summit has been held since 2016. It gathers senior government officials, representatives of international organizations and business leaders from BRI countries and regions to exchange insights on multilateral co-operation and explore concrete business opportunities. The Summit has become the largest and most important BRI commerce, investment and business matching platform for Mainland, overseas and Hong Kong enterprises.

Hong Kong is home to world-class universities, cultural and media organisations. The HKSARG offers scholarships for outstanding students from BRI countries to study at Hong Kong universities. In addition, the Government will increase the subsidy quota and level for local students to participate in exchange programmes in the Mainland and BRI countries.

HONG KONG ADVANTAGES



CENTRE FOR
INTERNATIONAL
BUSINESS



WORLD-CLASS
COMMUNICATION
NETWORK

Hong Kong has signed

20 FTA
(Free Trade Agreements)



30 Investment Promotion
& Protection Agreements



World-class universities,
cultural and media organisations

HOW TO USE HONG KONG FOR EXPANSION ALONG THE BELT AND ROAD?

Financial Services

Hong Kong is a leading global financial centre with liquid capital markets, a fully convertible currency and the free flows of goods, information and people. It is consistently ranked among the world's leaders in terms of stock market capitalization, Initial Public Offering (IPO) fund-raising, asset management, banking and insurance.

Located at the heart of Asia, Hong Kong is fully plugged into the round-the-clock global financial trading cycle, providing sure and seamless connectivity with major financial hubs in Europe and North America as well as countries along the Belt and Road.

As China's global financial hub, Hong Kong is well-established as the largest offshore Renminbi business centre and a vanguard for the ongoing internationalization of the Renminbi and cross-boundary financial connectivity through various Stock Connect and Bond Connect schemes.



a) IPO

World's 5th largest and Asia's 3rd largest stock market by market capitalization at end-April 2020.

World's No.1 for IPO funds raised in 2019, US\$40.1 billion. HK ranked No.1 for IPO funds raised seven times since 2009.

World No.1 environment for IPO and mergers and acquisitions activity by Global Transactions Forecast 2019 compiled by Baker McKenzie and Oxford Economics.



c) Asset and Wealth Management

One of Asia's top asset management centres, Hong Kong can meet the demand for wealth and risk management services generated by BRI projects. Hong Kong's asset and wealth management business at end-2018 amounted to HK\$24 trillion.

Under specified conditions, the deduction of interest expenses in calculating profits tax for the intra-group financing business of corporations, and reduces profits tax rate for specified treasury activities by 50% (i.e. to 8.25%) for qualifying corporate treasury centres.

The 2020-21 Budget proposes to provide tax concessions for carried interest issued by private equity funds subject to the fulfilment of certain conditions to attract more private equity funds to domicile and operate in Hong Kong.



d) Insurance and Banking

One of the most open insurance markets in the world. Highest concentration of insurers in Asia (164 authorized insurers at end-April 2020)

78 of the world's 100 top banks operate in Hong Kong.



b) Bond Issuance

Pilot Bond Grant Scheme launched in May 2018 for a period of 3 years to provide grants for eligible enterprises issuing bonds in Hong Kong.

The 2020-21 Budget proposes to issue inflation-linked retail bonds and Silver Bonds, targeting residents aged 65 or above, totaling at least \$13 billion to develop the retail bond market.



e) Environmental, Social and Governance (ESG)

Building on the success of the certification scheme for green debt instruments and the green fund introduced in 2018 and 2019 respectively, the launch of the Green Finance Certification Scheme - ESG Fund by the Hong Kong Quality Assurance Agency in May 2020 promotes more disclosure and strengthens market confidence in green financial products as Hong Kong continues to develop as the leading hub for green finance in the region.

Green Bond Grant Scheme launched in June 2018 to subsidize eligible green bond issuers in obtaining certification under the local Green Finance Certification Scheme to promote green finance. Following the successful issuance of the inaugural government green bond under the Government Green Bond Programme in May 2019, the 2020-21 Budget proposes to issue green bonds totaling \$66 billion under the Programme over the next five years to develop Hong Kong's position as a green finance hub.

CASE STUDY: CHINA HUADIAN CORPORATION

China Huadian Corporation Ltd Set up its Corporate Treasury Centre in Hong Kong

The move is instrumental for the company to go global and to manage the group's overseas capital and financing activities.

China Huadian Overseas Asset Management Company Limited is owned by China Huadian Corporation Ltd (China Huadian), a state-owned power generation company administered by the State-owned Assets Supervision and Administration Commission of the State Council.

China Huadian Overseas Asset Management Company Limited was incorporated in Hong Kong on 21 March 2018. As China Huadian's only overseas asset management and financing platform, China Huadian Overseas Asset Management Company Limited is responsible for managing the treasury activities of the group's overseas companies, including account management, capital management, capital settlement, financing management, risk management and trusteeship of overseas bonds. According to Shao Guoyong, Chief Accountant, Hong Kong is closely connected to both the Mainland and overseas markets and is well-positioned to become one of the world's leading hubs for investment, financing and asset management for infrastructure projects. "Hong Kong plays an important role in the Belt and Road initiative by offering a comprehensive range of financial and professional services. This is truly beneficial for Mainland Chinese companies to manage their overseas business as well as enhancing their capital efficiency and risk management strategies." Shao also noted that the Hong Kong government introduced a concessionary tax regime to promote the setup of corporate treasury centres (CTCs) in the city; in addition, the "Pilot Bond Grant Scheme" offering support to eligible first-time bond issuers. All these policies have contributed to creating a favourable operating environment for Mainland companies which have been set up in the city.

"Hong Kong plays an important role in the Belt and Road initiative by offering a comprehensive range of financial and professional services. This is truly beneficial for Mainland Chinese companies to manage their overseas business."

– Shao Guoyong, Chief Accountant
China Huadian Overseas Asset Management Company Limited



Former Executive Director of the Hong Kong Monetary Authority, Vincent Lee (left) and the Chief Accountant of China Huadian, Mr Shao Guoyong (right).

Riding on the tremendous opportunities arising from the Belt and Road Initiative, China Huadian is planning to expand its international footprint extensively over the coming years. China Huadian Overseas Asset Management Company Limited, being the group's CTC, provides financial services to the group's members in numerous overseas countries and regions, including Spain, Indonesia, Singapore, Vietnam, Cambodia and Canada. At the end of 2018, China Huadian has launched global co-operation plans in over 30 countries and regions.

According to Shao, Hong Kong's world-class professional and multinational talent pool can help companies to quickly achieve their management goals and expand their businesses. The city's highly mobile and transparent labour market allows companies to find the right talent to grow with the company together.

Although the CTC is still in its early stage of development, it's already planning to strengthen its workforce by stepping up its local recruitment effort. Its long-term goal is to provide a comprehensive range of financial services allowing the team to manage the overall capital flow for the group and act as the corporate treasurer for both the group and the group's overseas members.

"I'd like to say a big thanks to InvestHK for all their support and liaison with various government departments for us both before and during our incorporation process," Shao concluded.

China Huadian Overseas Asset Management Company Limited

- China Huadian owns two companies listed on the Hong Kong Stock Exchange, namely Huadian Power International Corporation Limited (01071.HK) and Huadian Fuxin Energy Corporation Limited (0816.HK)
- In 2018, the company issued its first overseas bonds in Hong Kong

CASE STUDY: MAZARS

Global Accounting and Consultancy Firm Capturing Opportunities Brought By Belt and Road Initiatives

The BRI brings new opportunities for professional services and financial services providers in offering services to clients in Belt and Road countries in relation to financing and capital market activities. Companies undertaking large infrastructure programs and technology companies can leverage on Hong Kong's financial market for financing and corporate treasury activities.

HKTDCC Case Reference Extract: Belt and Road: Hong Kong as Treasury Centre

Tax incentives and financing expertise for Belt and Road Initiative projects offer huge opportunities for Hong Kong as a treasury centre, says Paul She of global accounting and consultancy firm, Mazars. The firm is focusing on technology clients related to the Belt and Road – some for IPO launch on the Hong Kong Stock Exchange – companies “often missed by the market”.

Operating in some 79 countries, audit, accounting and consulting firm Mazars is integrated globally. In the Asia Pacific, Hong Kong is increasingly a centre for Belt and Road related client business. As a French headquartered firm, Mazars expects numerous opportunities to arise.

Mazars is particularly focused on technology clients and often follows up on large infrastructure programs that create a new prosperity in China and other Belt and Road countries. Indeed recently Mazars managed an initial public offering in Hong Kong, the Singapore-based Nexion Technologies, in a highly trend driven area.

Mazars also expects new Belt and Road opportunities appearing through a specialized project financing arm in Australia and linked also to Hong Kong's role as a treasury centre for the Belt and Road.

Source: <https://beltandroad.hktdc.com/en/case-references/belt-and-road-hong-kong-treasury-centre>



CASE STUDY: YANBU ARAMCO SINOPEC REFINING COMPANY LIMITED

Successful Refinancing for Sponsors of Joint Venture Formed to Develop Projects along Belt and Road Routes

The success of the refinancing transaction demonstrates availability for large infrastructure deals in Belt and Road countries in the highly liquid, reactive and sophisticated Hong Kong banking market.

HKTDC Case Reference Extract: Oil refinery refinancing in Saudi Arabia

Yanbu Aramco Sinopec Refining Company Limited (YASREF) is a joint venture formed between Saudi Aramco and Sinopec in 2012. YASREF developed a 400,000-barrels-per-day oil refinery in Yanbu, Saudi Arabia. The YASREF joint venture is another successful cooperation between Saudi Aramco and Sinopec after building a plant in Fujian Province of China in 2009. It is also the first refining project that Sinopec completed outside of China.

YASREF refinery was initially funded by shareholder loans. After reaching successful project completion in July 2015, YASREF sponsors approached the market

to refinance the shareholder loans with commercial debt in January 2016.

A total of USD\$4.7 billion facilities were raised, comprising a seven-year USD\$3.1 billion Term Loan and a SAR 6 billion Murabaha facility. The facilities were oversubscribed and signed in April 2016. A total of 26 international and local banks participated in the facilities.

SMBC was appointed as Lead Coordinator, Bookrunner, Mandated Lead Arranger and Documentation Bank for the USD facility. SMBC Hong Kong branch contributed to the success of this transaction from a loan syndication perspective.

SMBC syndication team based in Hong Kong actively coordinated with other Hong Kong based banks to make this multi-billion dollar refinancing happens under a short 4-month timeframe. This successful Hong Kong-driven syndication process illustrates the highly liquid, reactive and sophisticated Hong Kong banking market available for large infrastructure deals in Belt and Road countries.

Source: <https://beltandroad.hktdc.com/en/case-references/sumitomo-mitsui-banking-corporation-oil-refinery-refinancing-saudi-arabia>



RESEARCH AND DEVELOPMENT

Hong Kong's capacity to innovate is supported by excellent connectivity with Mainland China and the rest of the world, strong research and development (R&D) capability, world-class universities, and a robust intellectual property protection. The Government strives to create a vibrant ecosystem with excellent software and hardware support for industry players to collaborate on research, development and innovation.

Hong Kong is fast becoming a start-up hub for technology firms. The Government helps nurture a conducive environment for technology start-ups in collaboration with local R&D institutions and universities. Government initiatives include targeted funding programmes, (e.g. a dedicated venture fund programme to attract venture capital investment), tax relief to encourage R&D investment, research clusters in key technology area, and collaboration with the neighbouring Shenzhen Municipal People's Government to develop the Hong Kong-Shenzhen Innovation and Technology Park.

With full support from the Mainland, Hong Kong scientists have been actively contributing to the country's technological advancement. Hong Kong universities and research institutions are able to bid for funding for science and technology projects, thereby participating in major technology missions of the country.

The Government is promoting innovation and technology (I&T) development along eight major areas: increasing resources for R&D, pooling technology talent, providing investment funding and I&T infrastructure, reviewing existing legislation and regulations, opening up government data, leading changes to procurement arrangements, and popularizing science education. So far, it has committed over \$100 billion for different initiatives in these eight areas.

Belt and Road Scholarships encourage outstanding students from Belt and Road countries to pursue tertiary studies in Hong Kong. The Scholarships have been expanded to cover all regions along the Belt and Road, as well as research postgraduate students.

There are 3,360 startups in Hong Kong in 2020 (+ 51% over 2017) and 10,688 startup jobs (+69% over 2017) according to the 2020 startup survey by InvestHK with many of the entrepreneurs coming from Belt and Road countries. About 468 of them are FinTech companies. A list of supporting incubation and acceleration programmes can be found at:

<https://www.startmeup.hk/startup-resources/incubation-acceleration-programmes/>

CASE STUDY: SANOMICS

Hong Kong-Based Biomedical Company Extending Services to the Belt and Road and Other Overseas Markets

Biomedical firm Sanomics is expanding in Belt and Road market. The firm sees the growth of the biomedical sector in Hong Kong which benefits from measures promoting the development of healthcare technologies in Hong Kong promulgated by the Central Government in November 2019 as part of 16 policy measures which would benefit Hong Kong people from all walks of life and facilitate the development of various sectors in the Guangdong-Hong Kong-Macao Greater Bay Area.

HKTDC Case Reference Extract: Linking the Greater Bay Area and the Belt and Road Markets

Hong Kong is set to become a significant hub for cooperation in R&D and advanced biomedical services in the Greater Bay Area and beyond. The Outline Development Plan for Guangdong-Hong Kong-Macao Greater Bay Area, promulgated in February 2019, looks to improve the environment for innovation in the region.

Currently mainland China maintains strict controls on the export and trading of human genetic data and bio samples such as blood because of health and safety concerns. Under CEPA, Hong Kong investors enjoy national treatment when investing in the mainland's human health services sector. However, they are expressly excluded from launching services on genetic information, blood collection, pathological data and other services that may endanger public health and safety.

These are major hurdles for Hong Kong businesses, as well as foreign investors based in the city, looking to conduct cross boundary cooperation with their mainland counterparts in front end biomedical research in areas like genetics based therapy and medicine. The Greater Bay Area development plan is set to deal with obstacles like these, so players affected by them should watch developments closely to see how the governments of the Bay Area implement the liberalisation measures envisaged in the plan.

Liberalising controls will come as welcome news to biomedical firms and laboratories like Hong Kong based Sanomics Limited, which has been advocating cross boundary data sharing in order to strengthen technological cooperation in the Bay Area. In an interview with HKTDC Research, Sanomics' CEO and Director Stanley Sy stressed the difference between the way traditional therapies work and new medical approaches.

Sanomics carries out genomic diagnostics for patients in Hong Kong, Asia and other regions all over the world. The company is looking to develop its in house expertise and deploy the latest genetic and genomic technologies to serve its clinical and pharmaceutical clients worldwide. As well as tissue based profiling

tests for assessing patients diagnosed with various types of cancer, Sanomics has successfully developed proprietary liquid biopsy tests to trace the cancer's cell free DNA in the blood. This allows tests to be carried out with a simple blood sample rather than via expensive and invasive surgical biopsies. These liquid biopsies can assess the gene mutation with a high degree of accuracy, and in turn help medical practitioners rapidly formulate targeted treatment and prescribe precision medicine for their patients.

Potentials along Belt and Road Routes

Since its inception as a technological start up in the Hong Kong Science Park in 2015, Sanomics has expanded its biomedical team from a few founding experts to more than 30 personnel. It opened another office and laboratory in Bangkok in January 2019 under Board of Investment (BOI) company registration, both to help serve the Thailand market and also to reach out more effectively to clients from other Belt and Road regions.

Explaining the reasoning behind his company's attraction to the Belt and Road markets, Sy said: "Certain cancers like lung cancer and nasopharyngeal cancer are more common in Asia, which has a similar demand for genomic tests to Hong Kong and south China. Enhanced marketing along the Belt and Road routes would certainly help Sanomics expand its services to Asian clients and beyond with scale of economy advantages. To date, Sanomics has handled more than 7,000 patient cases across 20 countries and regions, and has worked with over 830 health care professionals and more than 260 clinics and hospitals worldwide."

Hong Kong Provides Quality Professional Service Supports

Hong Kong's capacity to expand as a biomedical services hub rests not just on the strength of its companies, but also on its worldwide appeal as a platform for technological cooperation. The city's sound legal system and protection of intellectual property rights and other proprietary information enjoy an excellent reputation internationally, which encourages the sharing of biomedical data and other proprietary information by biomedical players from Hong Kong, mainland China and elsewhere. With the Greater Bay Area set to relax regulatory biomedical requirements, Hong Kong is likely to see an even greater level of cross-boundary technological cooperation among biomedical players.

Pointing to the quality of Hong Kong's professional talent as a factor in the growth of the city's biomedical sector, Sy said: "In addition to outstanding R&D capabilities and leading expertise, biomedical players here also greatly benefit from the city's wide array of professional services." He also highlighted its comprehensive logistics network, which he reckoned gave the city an edge in the field of biomedical research. Quality cold chain services for delivering bio samples from clients to laboratories, and effective customs clearance arrangements in accordance with the health and export control requirements of countries and customs territories, are a must for biomedical companies looking to serve clients around the world. As Hong Kong is an international transportation hub with quality cold-chain logistics services, this is another factor which should help the city capitalise on the Greater Bay Area advantages and link it to the Belt and Road's biomedical services market.

Source: <https://research.hktcdc.com/en/article/MzQ1NzI0NDU3>

CASE STUDY: STMICROELECTRONICS

Capitalising on Semiconductor Opportunities

STMicroelectronics, a major player in the Asia Pacific region's semiconductor industry, sees opportunities with Hong Kong's BRI links and seeks to strengthen its link with Hong Kong on issues like smart cities, smart driving and AI.

HKTDC Case Reference Extract: The Greater Bay Area: Capitalising on Semiconductor Opportunities

Interview with Marco Longhi, Asia Pacific Business Controller, and Damien Leconte, Senior Director, Key Accounts in Asia Pacific for STMicroelectronics

Over a period of some 40 years, STMicroelectronics has established itself as a major player in the Asia Pacific region's semiconductor industry. In terms of revenue, the company is among the top 10. It began operations in Asia in 1969, setting up an assembly and test plant in Singapore. Since then, it has built a strong integrated presence in the region that spans mainland China, Taiwan, Hong Kong, India, Japan, South Korea, Malaysia, the Philippines, and even Australia and New Zealand. It operates R&D, advanced IC design, and application support centres in Shenzhen, Shanghai, Beijing and Taipei, while Hong Kong plays a major role as one of its primary sales and marketing offices for the region, and as the base for one of the company's three Asian distribution centres.

Hong Kong's Leading Role

ST views Hong Kong as playing an interactive and increasingly significant role within the GBA. The company sees it as a GBA's major sales, marketing, logistics and business connector, as well as a standard bearer for the Belt and Road Initiative (BRI). Furthermore, Hong Kong's close relationship with the Shenzhen Special Economic Zone and the development of the proposed Lok Ma Chau Loop innovation and technology park on the boundary with Guangdong Province are expected to lead to the establishment of a more coherent international technology hub, which will be particularly focused on artificial intelligence (AI) and Internet of Things (IoT) research, and for bringing practical solutions to market.

Outlining Hong Kong's advantages, Longhi said: "Regarding the availability of talent and resources, both Hong Kong and Shenzhen are viable locations. When we want to hire talent, we can find that quite easily, although very specialised technical staff resources are

always hard to find, given the competition in the market." He added that, in terms of operational costs, although Hong Kong is more expensive when it comes to wage expectations, it benefits from a lower and more straightforward tax regime.

Highlighting another of Hong Kong's key advantages – the convenience and speed with which one can travel and meet business partners – Longhi said: "I see Hong Kong as an important site for distribution and for meetings and exchanges – we hold a lot of meetings there on a very frequent basis. Each quarter we organise one week of meetings which involve 200 to 300 visitors from Asia Pacific and Europe, both from ST and from our Asia distribution partners."

Leconte also singled out Hong Kong's standing as a jurisdiction with a high regard for protecting intellectual property (IP), which he said was a critical factor for a hi-tech company like ST and was why many of the company's commercial agreements relating to China are arranged under Hong Kong law. Hong Kong's mature financial and banking system is another advantage available, although as Longhi admitted, ST – which has its main headquarters in Switzerland – does not particularly need local financial services for capital market launches for the time being.

Linking the Belt and Road Initiative

Hong Kong is also a major stakeholder in China's Belt and Road Initiative (BRI), a programme that links China and south-east, south and central Asia with the Middle East, Africa and Europe. Longhi explained that this is particularly helpful to a global company like ST, saying: "Hong Kong provides big opportunities, for example, in our connections with Europe in general."

He added that one important aspect of Hong Kong's BRI links is air connectivity with Belt and Road countries through Hong Kong International Airport. With much of the company's distribution of semiconductor chips being implemented by air, ST maintains a warehouse adjacent to the airport.

The company is now actively seeking to strengthen its links with Hong Kong. Leconte said he envisaged a greater degree of connectivity with Hong Kong academic institutions and the Hong Kong Science and Technology Parks Corporation, for example, on issues like smart cities, smart driving and AI. In addition, with regard to HKTDC trade shows, it took part in the HKTDC International ICT Expo in April 2019 and the concurrent HKTDC Hong Kong Electronics Fair (Spring Edition), during which it took a lead role in the ICT event as part of the ground-breaking 'So French So Innovative' pavilion, which featured more than 30 French companies offering 'smart' opportunities.

Source: <https://research.hktcd.com/en/article/MzE5NzY1MDk3>



LEGAL AND ARBITRATION CENTRE

Home to a wide variety of legal services professionals and eminent international and regional organizations specializing in legal and dispute resolution services, Hong Kong's deep and broad pool of local and international legal talent contributes to the city's status as a location of choice for deal making and dispute resolution.

Hong Kong has a well-established common law heritage and a world-class legal system that is renowned for being transparent, trustworthy, and fair, underpinning Hong Kong's reputation as one of the safest cities in the world. The city's mature legal infrastructure, key to the robust protection of private property rights (including intellectual property rights), is integral to Hong Kong's success as a business and financial hub in Asia.

The Basic Law preserves Hong Kong's common law system, which is different from the legal system practiced in Mainland China. Under the Basic Law, Hong Kong courts exercise independent judicial power including the power of final adjudication.

Hong Kong ranks No.2 in Asia for judicial independence according to the World Economic Forum's Global Competitiveness Report 2019; ranks No.2 in Asia and No. 11 globally in respect of the rule of law in the Worldwide Governance Indicators project of the World Bank Group and; ranks No.1 in Asia and No.3 Globally in the Human Freedom Index 2019 (Cato Institute) by scoring 8.81 (out of 10), with the scores on Judicial Independence at 8.6 and Integrity of the Legal System at 8.3.

Hong Kong has a vibrant community of local, Mainland China and overseas legal professionals and is a base for prominent law-related organizations and international bodies.

Hong Kong is a prime venue for dispute resolution through arbitration and mediation. Hong Kong arbitral awards are enforceable in over 160 Contracting States to the New York Convention. This is complemented by respective arrangements for reciprocal enforcement with Mainland China and Macao.

Hong Kong is the first and, to date, the only jurisdiction outside the Mainland where, as a seat of arbitration, parties to arbitral proceedings administered by designated arbitral institutions will be able to apply to the Mainland courts for interim measures under the Arrangement Concerning Mutual Assistance in Court-ordered Interim Measures in Aid of Arbitral Proceedings by the Courts of the Mainland and of the HKSAR. Since 2015, Hong Kong has been among the top 5 preferred seats for arbitration globally according to the International Arbitration Surveys conducted by Queen Mary University of London.

CASE STUDY: KING & WOOD MALLESONS

In October 2020, King & Wood Mallesons (KWM) Hong Kong celebrated its 30th anniversary in Hong Kong. It was Hong Kong's first international law firm to be licensed to practice local, Mainland, English, US and Australian laws. It has come a long way by becoming the largest international law firm in Hong Kong with over 200 Hong Kong, Mainland and internationally-qualified lawyers.

KWM has 13 offices in Mainland China, and a network spanning Australia, Europe/UK, the US and Middle East. It aims to be a natural choice both for Mainland clients venturing out onto the BRI, and equally for BRI participants wanting to negotiate and work with Mainland counterparties. Two KWM projects partners are just about to complete a one-year secondment at the Asian Infrastructure Investment Bank. Moreover, a cross-office team has been formed to provide BRI clients with all of the expertise and cultural knowledge required for these complex projects.

The success of its Hong Kong practice has been underpinned by Hong Kong's status as a key international financial and commercial hub. KWM's strategy is entirely client-driven. Hong Kong continues to be a top listing venue and international investment destination as evidenced by the success of the Stock and Bond Connects. Another milestone for Hong Kong as the global hub for offshore RMB business came with the launch of the new Wealth Management Connect, and bringing closer financial cooperation in the Greater Bay Area (GBA).

From the perspective of a disputes resolution lawyer, thanks to two written agreements made between the Mainland and Hong Kong SAR, Hong Kong forms an absolutely unique base for BRI clients doing business with parties in Mainland China. First, is the unique "Arrangement Concerning Mutual Assistance in Court-ordered Interim Measures for Arbitrations". This allows parties who choose to arbitrate by selecting one of the approved arbitration institutions in China Mainland or Hong Kong to apply for interim measures in each other's jurisdiction in aid of those arbitrations. This provides BRI parties, regardless of their nationality, with an unique form of asset protection unavailable in any other arbitral jurisdiction. Paul Starr, head of KWM's disputes resolution team in Hong Kong, working with his Shanghai office became the first to freeze USD 360M worth of assets in the Mainland, via the Shanghai Financial Court, in aid of a Hong Kong qualifying arbitration.

The second vital agreement is the Arrangement concerning Mutual Enforcement of Arbitral Awards between Mainland China and Hong Kong. This means that a BRI party who obtains a Hong Kong arbitration award can readily obtain its recognition in the Mainland, where for example the opponent's principal assets may be held. The Arrangement ensures that a local court cannot refuse enforcement, but must apply to the Supreme People's Court in Beijing. This provides a very important stick for any local court, and the statistics for the upholding of Hong Kong arbitration awards are excellent.



Turning to Hong Kong itself, there are times where arbitrating parties need assistance from local courts. Hong Kong boasts a common law system, with judges capable of hearing everything in English, and most importantly with one of the finest courts of final appeal in the world, populated by visiting Judges at the top of their field in the Commonwealth jurisdictions where they live and work. Current members of the CFA include Law Lords from England and former Chief Justices from Australia and Canada.

KWM believes that Hong Kong will play a key role given its strategic position as an international transport hub and increasingly close connections with the key GBA cities of Shenzhen, Guangzhou, Hainan and Macau SAR. KWM established the KWM International Center in 2018, which uniquely connects their Hong Kong, Shenzhen, Guangzhou, Sanya and Haikou offices to provide an integrated KWM offering for Hong Kong and international clients as they explore opportunities in the GBA.

Post COVID, KWM will continue to accompany their clients to their BRI locations of choice, and work with them on site to get the best possible results.

CASE STUDY: SHANGHAI ELECTRIC GROUP CO LTD

Mainland Firm Uses Hong Kong Professional Services to Overcome Offshore Investment Challenges

Shanghai Electric Group Co Ltd, a leading Shanghai group specialising in electric equipment, uses Hong Kong's professional services to avoid risks in outbound investment in overseas market including Belt and Road countries and at the same time taking advantage of Hong Kong's financial market to achieve sustainable development for its overseas business.

HKTDC Case Reference Extract: Mainland Firm Uses Hong Kong Professional Services to Overcome Offshore Investment Challenges

Responding to the launch of the Belt and Road Initiative (BRI) and looking to expand by "going out", many mainland businesses are actively investing in infrastructure construction projects in countries along the Belt and Road routes, as well as making forays into mature markets abroad. However, with the global economic climate becoming more uncertain in recent years, they face grave challenges, and as a result are looking to strengthen their risk management.

It is worth noting that many BRI countries are currently undergoing political realignments which may lead to changes in investment policies. This, coupled with the absence of a sound legal system in some of these countries, undoubtedly creates a great deal of uncertainty for overseas investors. Moreover, most of the countries along the BRI routes are developing or emerging economies, with some of them undergoing significant economic transformation. This tends to create a lack of information about these markets, which makes it difficult for businesses to gain a good understanding of local practices and market changes, and thus creates extra risks for investment projects. Investors, therefore, are in dire need of professional services which can give them a clear picture of the local market and map out the right risk prevention solutions. Companies entering overseas markets may need help countering trade remedy measures such as anti-dumping and anti-subsidy policies, avoiding potential political and market risks, formulating suitable contingency plans, recovering account receivables and loans, protecting intellectual property rights, and circumventing obstacles to trade.

Ensuring Compliance in Overseas Markets

Representatives from HKTDC Research and the Shanghai Municipal Commission of Commerce recently interviewed Shanghai Electric Group Co at its headquarters. During the interview, the group confirmed that it is currently expanding the functions of its Hong Kong subsidiary in order to take advantage of the territory's excellent professional and financial services and help develop Shanghai Electric's engineering projects overseas.

Shanghai Electric is the largest comprehensive electric equipment manufacturing group in China. Its core products include high-efficiency clean-energy equipment, new-energy and eco-friendly equipment, industrial equipment, and modern services. The group currently has 47 business arms

around the world, including 26 subsidiaries, seven branch companies, five overseas technical centres, and nine offices. The sales revenue of its overseas business in 2018 was RMB11.2bn, accounting for 11% of the group's total business revenue. This included sales to more than 30 BRI countries. At present, Shanghai Electric mainly focuses on developing energy projects in more familiar surroundings, such as Asia and certain African countries.

According to Shanghai Electric, when making offshore investments, the group needs the support of sound professional services. An example of this is its use of Hong Kong's legal and accounting services to carry out due diligence investigations of the legal, business and market environments of its investment destinations, in order to ensure that the group's overseas business operations comply with local laws and regulations, construction projects are implemented according to law, and financial risks are professionally managed. This ensures that the sustainability of its construction projects can be guaranteed.

The group also needs staff with a great deal of international exposure and management experience to ensure that its overseas business is managed well. Professional services can help the group localise and manage its overseas business, including day-to-day project management and subcontracting, and also keep the group abreast of local market intelligence and developments in the business environment so that it can respond promptly and appropriately.

Overcoming Difficulties in BRI Projects

While many countries and territories along the BRI routes have a strong demand for infrastructure construction, industry leaders from Europe, the US, Japan and South Korea have already gained an upper hand in many of these markets and mainland enterprises "going out" face fierce market competition. Moreover, with companies from these regions already taking the lead in setting business practices and industry standards, "Made in China" and "Chinese Standards" are struggling to gain influence and acceptance on the international market. As a result, mainland enterprises may not be able to use their China experience to enter BRI markets successfully. In view of this, they desperately need partners and management personnel with international project management experience and an in-depth knowledge of overseas infrastructure construction systems to help them capture global business opportunities.

Explaining why this means that it looks to Hong Kong for assistance, Shanghai Electric told us: "As well as recruiting more talents to help manage overseas projects, the group also has to deal with the problem of over-concentration of investment and financing modes for its overseas business. As such, the company cannot optimise its capital sources to find the most cost-effective way to invest in BRI projects.

"Hong Kong has a great deal of experience in infrastructure construction of an international standard. As Hong Kong's construction companies and talents are not only well-versed in Chinese and western cultures but also in the business practices in international markets, they can effectively help Shanghai Electric as well as other mainland enterprises to implement overseas infrastructure investment projects.

"Also, Hong Kong, being a highly efficient financial platform and financing hub, has attracted a cluster of construction companies from all over the world as well as a great diversity of infrastructure project investors, bankers and other financial institutions. This, coupled with Hong Kong's multiple financing channels and sound professional services, can provide more financing solutions and financial options for the group."

Shanghai Electric is currently accelerating the conversion of its Hong Kong subsidiary into a fully-fledged offshore base providing comprehensive support to the business development of the group. At the same time, the group is taking advantage of Hong Kong's excellent financial services to provide a full range of services to its overseas engineering projects, including traditional loan and bond financing/guarantee/letter of credit services, investment services in the form of funds, offshore capital and exchange risk management, and so on. This in turn helps to fuel the company's drive to "go out" and invest in engineering projects overseas.

Source: <https://research.hktdc.com/en/article/MzQ2NzgwNzI5M5>



CASE STUDY: CHINA SHIPPING VASTWIN PROJECT LOGISTICS CO

Engineering Service Standards Connectivity to Belt and Road Markets through Hong Kong

Shanghai-based engineering project logistics firm China Shipping Vastwin Project Logistics Co (China Shipping-Vastwin) is gaining experience and becoming proficient in international industry standards, technological requirements and certification systems by participating in construction projects in Hong Kong.

HKTDC Case Reference Extract: Shanghai Firm Seeks Engineering Service Standards Connectivity to Belt and Road Markets Through Hong Kong

Growing numbers of mainland companies have gained considerable experience in construction and engineering in recent years through their involvement in massive infrastructure projects across China. Their achievements are remarkable by any standards. Logistics service providers supporting these projects have also benefitted, continuously innovating and offering total logistics solutions to construction projects with advanced technologies and specialised equipment.

However, the standards that Chinese companies in the construction and engineering project logistics fields currently work to are not the same as those used in overseas markets. Even companies with many projects under their belt have difficulty winning overseas business opportunities solely on the strength of their track record.

In order to overcome this hurdle, some are hoping to gain international recognition by servicing construction projects in Hong Kong, in the expectation that this will help them explore overseas and Belt and Road markets. A Shanghai-based engineering project logistics firm told HKTDC Research that mainland enterprises may also use their overseas experience to gain access to the Hong Kong market.

A joint venture between COSCO Shipping Logistics Co - a subsidiary of the China COSCO Shipping Group - and the Jiangsu Vastwin Logistics Holding Co, China Shipping-Vastwin specialises in project logistics. Capitalising on its core engineering design capabilities, China Shipping-Vastwin focuses on ocean engineering, oil and gas refining, municipal infrastructure, new energy and special engineering projects. It offers on-time, safe and cost-effective total logistics solutions to clients in the electricity/new energy, petroleum/coal chemical industry and specialised logistics subcontracting fields, using advanced transportation equipment.

China Shipping-Vastwin runs an office in Hong Kong. As well as using the territory's financial services platform to handle funds for projects in the Middle East, the US and other overseas markets, it also makes use of its innovative engineering technologies and specialised transportation equipment to provide logistics services for Hong Kong's infrastructure projects.

Daisy Liu, Deputy Director of the Engineering Design Centre of China Shipping Vastwin explained how working in Hong Kong can help mainland businesses win contracts overseas, saying: "Construction projects in Hong Kong are up to international standards in their design, quality and safety requirements. They are also in line with international industry standards and certification systems. Leading Hong Kong and international construction firms and related service providers have won international recognition for their track record, and also know very well how to meet the requirements of their overseas peers. Mainland companies can gain valuable experience and become proficient in international industry standards, technological requirements and certification systems by participating in construction projects in Hong Kong. This way they can effectively bridge the gap between Chinese and overseas standards."

Liu hopes to provide more logistics services to large-scale construction projects in Hong Kong, such as the airport extension project and the construction of roads and bridges, and team up with Hong Kong companies looking to take advantage of Belt and Road opportunities.

Source: <https://research.hktdc.com/en/article/MzQ1ODAxMzYy>



DIGITAL BELT AND ROAD

Digital technology is a new driver for future economic development and is increasingly becoming a key to the cooperation among BRI countries. Hong Kong's commitments on digital infrastructure and smart city development makes it an important player in the development of the Digital Silk Road.

Digital Infrastructure

- Hong Kong is a leading digital economy, consistently achieving top rankings in digital readiness and internet access capabilities. Hong Kong has 11 submarine cable systems and operates 11 satellites for external communications. Several submarine cable systems will be ready in the coming two to three years, enhancing the city's connectivity with other parts of the world.
- Major telecom operators launched 5G services in Hong Kong in Q2, 2020.
- Open up more suitable government properties, bus shelters and telephone kiosks for operators to set up 5G networks.
- Subsidy scheme for mobile network operators to expand optical fibre network to remote villages.

Smart city

- Hong Kong Smart City Blueprint: sets out a vision to establish Hong Kong as a world-class smart city. Major areas are "Smart Mobility", "Smart Living", "Smart Environment", "Smart People", "Smart Government" and "Smart Economy". The Government will release the Smart City Blueprint 2.0 to further promote smart city development in 2020.

- Smart City key infrastructure projects: "iAM Smart" Platform (i.e. electronic identity), smart lampposts, Next Generation GovCloud and Big Data Analytics Platform.
- Wi-Fi Connected City programme: to further expand common brand Wi-Fi.HK coverage in Hong Kong. There are over 36,000 "Wi-Fi.HK" hotspots in the territory as at the end of February 2020.
- Asia's No.2 and World's No. 8 in IMD World Digital Competitiveness Ranking 2019, which rates the ability of an economy to adopt new digital technology.
- South East Asia & Oceania's No.3 and World's No.13 in World Intellectual Property Organization's Global Innovation Index 2019, which rates the innovation performance of 126 economies worldwide.
- Budget 2020-21 initiative to earmark around \$1 billion for the Smart Traffic Fund to provide funding support for research and application on vehicle-related I&T.
- The Budget 2020-21 proposes to allocate \$100 million to develop an integrated digital platform for data integration and information exchange of all public works projects and earmark \$60 million to establish the first Geospatial Lab to promote the application of spatial data.

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- Supporting Research & Development
- Nurturing Tech Talent Pool
- Government Co-Investment with Private VCs
- Facilitating Technology Adoption
- Patent Application Grant
- Marketing Development/Business Upgrading
- SME Loan Guarantee/Export Credit Insurance
- Industry Focus Funding Schemes
- Hong Kong Science & Technology Parks Corporation (HKSTP)
- Cyberport
- Government Support Bodies
- Fintech and Fintech Sandboxes
- Innovation Solutions For Public Services Needs

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<https://www.investhk.gov.hk/en/resource-centre.html>



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